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This document, which is an admission document required by the rules of AIM, does not comprise a prospectus for the purposes of the Prospectus Rules. This document does not constitute an offer to the public within the meaning of section 85 FSMA therefore this document is not an approved prospectus for the purposes of and as defined in section 85 FSMA and has not been prepared in accordance with the Prospectus Rules. This document has not been approved by the FSA, the UKLA or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

Application has been made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 15 February 2006. No application is intended to be made to any other exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the UKLA nor the London Stock Exchange plc has itself examined or approved the contents of this document.

The Company and the Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (having taken all reasonable care to ensure such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

GLEN GROUP plc

(Incorporated and registered in England and Wales with registered no. 5259846)

Proposed Acquisition of the Eclectic Group

Proposed Placing of 250,000,000 New Ordinary Shares at 1 pence per share

Application for re-admission to trading on AIM

Notice of Extraordinary General Meeting

Nominated Adviser
Seymour Pierce Limited

Broker
Seymour Pierce Ellis Limited

SHARE CAPITAL ON ADMISSION

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£6,000,000	600,000,000	Ordinary Shares	£3,276,830.77	327,683,077

All of the New Ordinary Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Seymour Pierce Limited ("Seymour Pierce") and Seymour Pierce Ellis Limited ("Seymour Pierce Ellis"), who are regulated by the Financial Services Authority, are acting respectively as nominated adviser and broker exclusively for the Company in connection with the proposed Placing and Admission. Seymour Pierce and Seymour Pierce Ellis are not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Seymour Pierce or Seymour Pierce Ellis, or for advising any other person in connection with the Placing or on the contents of this document or on any arrangement referred to in this document. The responsibilities of Seymour Pierce, as nominated adviser, are owed solely to the London Stock Exchange plc. Neither Seymour Pierce nor Seymour Pierce Ellis has authorised the contents of or any part of this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by either Seymour Pierce or Seymour Pierce Ellis for the accuracy of any information or opinions in this document or for the omission of any material information, for which the Company, its directors and the other persons who have accepted responsibility for information contained in this document are solely responsible.

Your attention is drawn to Part II of this document, which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, Republic of Ireland or Japan. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Australia, Republic of Ireland or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

Notice of an Extraordinary General Meeting of Glen Group, to be held at the offices of Seymour Pierce, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL at 2.30 p.m. on 13 February 2006 is set out at the end of this document. Shareholders will find enclosed a white Form of Proxy for use at the Extraordinary General Meeting. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by the Company's registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 3FA no later than 2.30 p.m. on 11 February 2006.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Seymour Pierce Limited, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL from the date of this document and for a period of at least one month from Admission.

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	Eric M Hagman CBE, <i>Non-Executive Chairman</i> Graham J Duncan, <i>Chief Executive Officer</i> Peter J Ford, <i>Non-Executive Director</i> all of: Unit 32/7 Hardengreen Industrial Estate Dalkeith Midlothian EH22 3NX
Company Secretary:	Peterkins Solicitors 100 Union Street Aberdeen AB10 1QR
Registered Office:	8-10 New Fetter Lane London EC4A 1RS
Nominated Adviser:	Seymour Pierce Limited Bucklersbury House 3 Queen Victoria Street London EC4N 8EL
Broker:	Seymour Pierce Ellis Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 ILQ
Solicitors to the Company:	Neil C Hunter 100 Union Street Aberdeen AB10 1QR Charles Russell LLP 8-10 New Fetter Lane London EC4A 1RS
Solicitors to the Placing:	Wedlake Bell 52 Bedford Row London WC1R 4LR
Auditors to Glen Group and Reporting Accountants:	Grant Thornton UK LLP 1-4 Atholl Crescent Edinburgh EH3 8LQ
Bankers:	The Royal Bank of Scotland Commercial Centre 100 West George Street Glasgow G2 1PP Bank of Scotland 47 High Street Dalkieth Midlothian EH22 1JE
Financial PR:	Halogen Communications Limited 4 Queen Street Edinburgh EH2 1JE
Investor Relations:	College Hill 78 Cannon Street London EC4N 6HH
Registrars:	Computershare Investor Services Plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisition”	the acquisition of the Eclectic Group by the Company
“Acquisition Agreement”	the conditional agreement dated 19 January 2006 between (1) the Vendors and (2) the Company, further details of which are set out in paragraph 11 of Part V of this document
“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“ADSL”	asymmetric digital subscriber line
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing admission to, and the operation of, AIM
“Articles”	the Articles of Association of the Company, further details of which are set out in paragraph 6.2 of Part V of this document
“Company” or “Glen”	Glen Group plc
“Company EMI Scheme”	the Company’s proposed Enterprise Management Incentive Scheme, details of which are contained in paragraph 5.2 of Part V of this document
“Consideration Shares”	the First Consideration Shares and the Second Consideration Shares
“CPS”	carrier pre-select
“CRM”	customer relationship management software
“CREST”	the computerised settlement system to facilitate the transfer of title to, or interests in, securities in uncertificated form operated by CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Directors” or “Board”	the directors of the Company whose names are set out on page 3 of this document
“DSL”	digital subscriber line
“Eclectic”	Eclectic Holdings Limited
“Eclectic Group”	Eclectic and its subsidiaries and Eclectic Resourcing
“Eclectic Resourcing”	Eclectic Resourcing Limited, a dormant company owned by the Vendors
“EMI”	Enterprise Management Incentive
“Employee Shareholders”	the employees in the Eclectic Group who have exercised their EMI options over shares in Eclectic prior to Admission
“Enlarged Group”	the Group as enlarged by the Acquisition

“Enlarged Share Capital”	the Existing Ordinary Shares and the New Ordinary Shares
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 2.30 p.m. on 13 February 2006 to vote on the Resolutions, notice of which is set out at the end of this document
“First Completion”	the date of completion of the Acquisition and Admission
“First Consideration Shares”	the 7,683,077 Ordinary Shares to be issued to the Vendors and Employee Shareholders as part consideration at First Completion
“Form of Proxy”	the form of proxy for use by Shareholders in connection with the EGM
“FSA”	Financial Services Authority of the United Kingdom
“FSMA”	Financial Services and Markets Act 2000, as amended
“Glen Communications”	Glen Communications Limited, the operating company of the Group
“GPRS”	general packet radio system
“Group”	the Company and Glen Communications
“HMRC”	Her Majesty’s Revenue & Customs
“IP”	internet protocol
“ISP”	internet service provider
“IT”	information technology
“LAN”	local area network
“Lock-in Period”	the 12 month period following Admission
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the Placing Shares and the First Consideration Shares
“Official List”	the Official List of the UKLA
“Options”	options or awards over Ordinary Shares to be granted pursuant to the Company EMI Scheme
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company
“Original Admission”	the original admission of the Ordinary Shares to trading on AIM on 1 December 2004
“PBITA”	profit before interest, taxation and goodwill amortisation
“PBX”	private branch exchange
“Placees”	those persons subscribing for Placing Shares at the Placing Price
“Placing”	the conditional placing by Seymour Pierce Ellis, as agent for the Company, of the Placing Shares at the Placing Price, pursuant to the terms of the Placing Agreement

“Placing Agreement”	the conditional agreement dated 20 January 2006 and made between the Company (1), Seymour Pierce Ellis (2), Seymour Pierce (3) and the Directors (4) relating to the Placing, details of which are set out in paragraph 12.1(k) of Part V of this document
“Placing Price”	1 pence per Placing Share
“Placing Shares”	the 250,000,000 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing
“Proposals”	The Acquisition, the Placing and Admission
“Resolutions”	the resolutions set out in the notice of EGM at the end of this document
“Second Completion”	the date of the preliminary announcement of the final results of the Enlarged Group for the year ending 30 September 2006
“Second Consideration Shares”	the Ordinary Shares to be issued to the Vendors and Employee Shareholders at Second Completion calculated in accordance with the terms summarised in paragraph 11 of Part V of this document
“Second Lock-in Period”	the 12 month period following Second Completion
“Seymour Pierce”	Seymour Pierce Limited, the Company’s nominated adviser
“Seymour Pierce Ellis”	Seymour Pierce Ellis Limited, the Company’s broker
“Shareholder”	a holder of Ordinary Shares
“SME”	a small or medium sized enterprise (typically with less than 250 employees)
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the United Kingdom Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“VAT”	UK value added tax
“VPN”	virtual private network
“WAN”	wide area network
“Vendors”	George Knox, Mark Simpson and Thomas Colin West
“VoIP”	Voice over internet protocol
“WiFi”	wireless fidelity, a wireless access technology

The market share information and other statements in this document regarding the Company’s position relative to its competitors are based on the Group’s records or are taken or derived from statistical data and information derived from the DTI as at 25 August 2005. Such information has been accurately reproduced from the information published by the DTI, and, as far as the Company is aware and is able to ascertain from the information published by the DTI, no facts have been omitted which would render such information inaccurate or misleading.

TRANSACTION STATISTICS

Placing Price	1p
Number of New Ordinary Shares being placed on behalf of the Company	250,000,000
First Consideration Shares being issued to the Vendors	7,683,077
Percentage of Enlarged Issued Share Capital being placed pursuant to the Placing	76.29%
Percentage of the Enlarged Issued Share Capital being issued to the Vendors as First Consideration Shares	2.34%
Percentage of Enlarged Issued Share Capital represented by the New Ordinary Shares	78.64%
Issue Price of Placing Shares	1p
Issue Price of First Consideration Shares	3.4166p
Number of Existing Ordinary Shares in issue at the date of this document	70,000,000
Number of Ordinary Shares in issue immediately following Admission	327,683,077
Gross proceeds of the Placing	£2.5 million
Estimated proceeds of the Placing to be received by the Company net of expenses including VAT	£2,020,000
Market capitalisation of the Company at the Placing Price following the Acquisition and the Placing	£3.28 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy from Shareholders for the EGM	2.30 p.m. on 11 February 2006
Extraordinary General Meeting	2.30 p.m. on 13 February 2006
Completion date of the Acquisition	15 February 2006
Admission and commencement of dealings in the Existing Ordinary Shares and the New Ordinary Shares on AIM	8.00 a.m. on 15 February 2006
Delivery of Ordinary Shares into CREST accounts	15 February 2006
Despatch of definitive share certificates (where applicable) by	22 February 2006

PART I

LETTER FROM THE CHAIRMAN OF GLEN GROUP

GLEN GROUP plc

(Registered in England and Wales with registered number 5259846)

Directors:

Eric M Hagman CBE, *Non-Executive Chairman*

Graham J Duncan, *Chief Executive Officer*

Peter J Ford, *Non-Executive Director*

Registered Office:

8-10 New Fetter Lane

London

EC4A 1RS

20 January 2006

To Shareholders

Dear Shareholder,

Proposed Acquisition of the Eclectic Group

Proposed Placing of 250,000,000 New Ordinary Shares at 1 pence per share

Application for re-admission to trading on AIM

Notice of Extraordinary General Meeting

INTRODUCTION

Your Board is pleased to announce that terms have been agreed for the conditional acquisition of the Eclectic Group for an initial consideration of £2,212,500 to be satisfied by the payment of £1,950,000 in cash to the Vendors and the Employee Shareholders and the issue to the Vendors and the Employee Shareholders of the First Consideration Shares. Depending on the PBITA of Eclectic for the year ending 31 July 2006, a further sum of up to £787,500 will be paid to the Vendors and the Employee Shareholders to be satisfied by the issue of the Second Consideration Shares, at a price equal to the average offer price of Ordinary Shares in the three trading days preceding the day before the date of the issue of Glen's results for the year ending 30 September 2006 and in certain limited circumstances in cash.

The Board further announces the terms of a Placing to raise approximately £2,500,000 (before expenses) to fund the cash element of the Acquisition and the expenses of the Acquisition and of the Placing, and to provide additional working capital for the Enlarged Group.

Under the AIM Rules, the Acquisition of the Eclectic Group constitutes a reverse takeover and, as such, Glen is obliged to apply for re-admission of the Existing Ordinary Shares and admission of the New Ordinary Shares to trading on AIM.

The Acquisition and the Placing are conditional, *inter alia*, upon the passing of the Resolutions to be proposed at the Extraordinary General Meeting, notice of which is set out at the end of this document, and upon Admission.

The purpose of this document is to set out details of the Acquisition and the Placing and to explain why your Board considers that they are in the best interests of the Company and Shareholders as a whole and to recommend that you vote in favour of the Resolutions to be proposed at the EGM, notice of which is set out at the end of this document as the Directors have irrevocably committed to do in respect of their beneficial interests amounting, in aggregate, to 21,271,577 Ordinary Shares representing approximately 30.4 per cent. of the Company's current issued ordinary share capital.

INFORMATION ON THE GROUP

The Company is a holding company for Glen Communications which manages SME customers across a wide range of IT and communication products and services. Its ethos is to operate as a one-stop-shop for SMEs IT and communications services and to act as an integrator of these services. Glen Communications operates as a value added reseller and focuses on the provision of business to business mobile solutions, both voice and data, internal IT infrastructure solutions and the sale and support of certain software solutions, particularly CRM, seeking to add value to the customer through the application of consultancy and implementation skills. Glen focuses on IP technologies, seeking to capitalise on the increasing utilisation of broadband.

The Group has identified Eclectic as a way to gain access to the important corporate market. As well as being a significantly larger company which should enhance the stability of the Group, the Directors believe that Eclectic is a company with a potential for significant growth, organically and by acquisition, and recognise that Eclectic's management team has the skills and experience necessary to achieve this objective within the corporate marketplace. The Directors believe that the Eclectic Group is therefore a good fit alongside its SME brand, Glen Communications.

The results for the Group for the year ended 30 September 2005 are contained in the Accountant's Report and the Financial Information of Glen set out in Part A of Part IV of this document.

INFORMATION ON ECLECTIC

Eclectic is a niche provider of specialist IT and business consultants to the corporate market. Its position in the market is of a specialised supplier of business intelligence consultancy and implementation services, including Business Objects™ and Oracle™ technologies. Eclectic also has an IT training division and was recently placed as number 47 in the Top 50 UK IT Training Providers (Source: IT Training Magazine, July/August 2005).

Eclectic was established in Glasgow in June 2000 to carry on a training business previously operated by a listed plc. Since then Eclectic has established itself as a niche provider of business intelligence consultancy. Eclectic operates a similar business model to Glen as a value added reseller. Eclectic also provides authorised training with Oracle™, Business Objects™ and Sun Microsystems™.

Eclectic has historically had a strong presence in Scotland and has a blue chip customer base. As well as operating from its Glasgow headquarters, it also has a training facility in Edinburgh and in early 2005 opened a London office.

The results for the Eclectic Group for the year ended 31 July 2005 are contained in the Accountants Report and the Financial Information of the Eclectic Group set out in Part B of Part IV of this document.

The operating loss for the year ended 31 July 2005 of £76,000 is stated after charging goodwill amortisation of £102,000. The major shareholder made a charge to salary of £3,000 and consultancy fees were paid to a business operated by the major shareholder of £71,000, which will cease following the completion of the Acquisition. If these items had been excluded, the Eclectic Group would have reported an operating profit of £100,000.

TERMS OF THE ACQUISITION

Under the terms of the Acquisition Agreement, Glen has conditionally agreed to acquire the entire issued share capital of Eclectic and Eclectic Resourcing. The consideration for the Acquisition is the issue to the Vendors and to the Employee Shareholders of the First Consideration Shares and £1,950,000 in cash. In addition a further sum, which will be satisfied by the issue of Second Consideration Shares, will be paid to the Vendors and Employee Shareholders based on the PBITA of Eclectic Group for the year ending 31 July 2006:

- PBITA of £250,000 up to and including £299,999, the issue of Second Consideration Shares to the value of £196,875;
- PBITA of £300,000 up to and including £349,999, the issue of Second Consideration Shares to the value of £393,750;

- PBITA of £350,000 up to and including £399,999, the issue of Second Consideration Shares to the value of £590,625; and
- PBITA of £400,000 or more, the issue of Second Consideration Shares to the value of £787,500.

The price at which the Second Consideration Shares are to be issued will be the average offer price of the Ordinary Shares in the three trading days immediately preceding the day before the date of the preliminary amount of the Company's results for 2006.

Certain employees of the Eclectic Group hold options to acquire shares in Eclectic. It is envisaged that each of these employees will, prior to Completion, exercise his or her right to purchase shares in Eclectic.

Under the Acquisition Agreement the Vendors have given warranties to the Company in respect of the business and affairs of the Eclectic Group and have given a tax indemnity. Further details of the Acquisition Agreement are set out in paragraph 11 of Part V of this document.

Application will be made to the London Stock Exchange for admission of the Placing Shares and the First Consideration Shares to be admitted to trading on AIM. The Placing Shares and the First Consideration Shares will rank *pari passu* with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission. Dealings in the Placing Shares and in the First Consideration Shares are expected to commence on 15 February 2006.

The Acquisition is conditional, *inter alia*, on Shareholder approval of the Resolutions to be proposed at the EGM.

Immediately following Admission, the Directors intend to hive up Eclectic Group Limited, the operating company of the Eclectic Group, as, to qualify for EIS relief, the qualifying trade should be carried on by a direct subsidiary of the Company.

DIRECTORS

Brief biographies of the current directors of the Company are shown below. Paragraph 8 of Part V of this document contains further details of the current and past directorships and certain other important information regarding the Directors. The Glen Group board will remain unchanged immediately following Admission.

The Company

Eric Martin Hagman CBE CA, *Non-Executive Chairman*. Aged 59

Eric Hagman retired from the UK practice of Andersen in April 2002 after 32 years with the firm. He was latterly UK Senior Partner for Global Markets, and over the years held a number of senior positions including Regional Managing Partner.

Eric Hagman received a CBE in the 2003 Queen's Birthday Honours and is currently the Non-Executive Chairman of AON Limited's Risk Services division in Scotland, a Non-Executive Director of British Polythene Industries plc, Celtic plc, Scottish American Investment Company PLC and a Board member of the Royal College of Art in London. He is a former member of the Council of CBI Scotland and of the Boards of Scottish Enterprise and Scottish Financial Enterprise.

Graham John Duncan MA CA, *Chief Executive Officer*. Aged 54

Graham J Duncan is the Group's founder and Chief Executive. After graduating he trained to become a Chartered Accountant and qualified in 1975. He left the profession in 1984 to become a director of the company which had been awarded the franchise for broadband cable in the city of Aberdeen. After ten years of growth both organically and by acquisition the group, later renamed Atlantic Telecom Group PLC, listed its shares on the Official List in London in January 1995. Over the next several years, prior to it being placed into administration and into compulsory liquidation, Atlantic grew rapidly and by 2000 it was building or operating "last mile" networks in three European countries, employing over 1,100 people.

Within the last five years, Graham J Duncan has also been Non-Executive Chairman of AIM listed Host Europe PLC (subsequently acquired by Pipex Communications plc) and a Non Executive Director of two quoted investment trusts.

Peter James Ford, *Non-Executive Director*. Aged 48

Peter Ford joined the family business of Ford's the Bakers in 1976. Ford's the Bakers was sold to Lynedale Foods in 1999. Peter Ford has been, in recent years, an investor in a number of companies in Scotland and has held directorships with Paragon Products (UK) Ltd, East Lothian Economic Developments Ltd (now called East Lothian Investments Limited), Thomas James Developments Ltd, and Zentel Telecom Group PLC. More recently he has been acting as an advisor to a number of businesses in the food sector. In 1999 he was elected as a member of East Lothian Council, a position that he still holds.

Operating Subsidiary Companies

At completion of the acquisition of Eclectic, the boards of Glen Communications, Eclectic and Eclectic Group Limited will be reorganised in order to deliver the focus required to build the business.

Glen Communications

The Board of Glen Communications already consists of Graham J Duncan and Peter J Ford as a Non-Executive Director. I am delighted to announce that Craig Saunderson, who joined Glen Communications in May 2005 as Head of Sales, will become Managing Director of Glen Communications. In addition to his role in Glen, Graham J Duncan will become Chairman of Glen Communications.

Craig Ian Saunderson, *Managing Director, Glen Communications*. Aged 31

Craig Saunderson has over 15 years of experience in selling IT and Communication solutions into both SME and Corporate markets. In his previous position at Enline plc, he secured major business from organisations such as Network Rail, Diageo, BAE Systems, Virgin Atlantic and Pinsent Masons. Beyond these achievements, Craig Saunderson has experience in developing and growing sales teams.

Eclectic

At completion of the acquisition of Eclectic, the board of each Company in the Eclectic Group will consist of Graham J Duncan, as Chairman, Peter J Ford as a Non-Executive Director and the current Managing Director, John Nicoll. A brief biography of John Nicoll is shown below.

John Nicoll, *Managing Director, Eclectic*. Aged 50

John Nicoll holds a BSc (Honours) in Engineering. He started with James Howden and Co as a graduate trainee in 1978 and in 1982 joined Hewlett Packard as a sales representative. His sales career with that company spanned sixteen years including three years as general sales manager responsible for various sectors including oil and gas, utilities and financial services. He was also responsible for Hewlett Packard's consultancy practice. In 1997 he joined SAS Institute as general manager where market sectors included insurance, manufacturing, public sector and utilities with applications including CRM and business intelligence solutions supporting e-commerce activities. After two years as business development director with Performix Technologies, a new software company, he joined Eclectic Group in 2003 with a brief to develop the consultancy services business. He became Managing Director of Eclectic Group in May 2005.

CURRENT TRADING, RECENT TRENDS AND PROSPECTS

The results for the Group for the year ended 30 September 2005 were announced on 20 December 2005 and key information from that period is included in the accountant's report and financial information on the Glen Group set out in Part A of Part IV of this document. The audited results of Eclectic Group for their year ended 31 July 2005 are contained in the accountants' report and financial information on Eclectic set out in Part B of Part IV of this document.

The Group is currently loss making as a result of the continuing investment in the expanded sales force. As a value added reseller, the number of sales people employed coupled with the success of each sales person in delivering a meaningful contribution to the business has a direct impact on profitability and the Directors believe that this remains critical to the success of the business. Since the year end, trading has been in line with expectations.

Since 31 July 2005, Eclectic Group has been trading profitably on an accumulated basis and trading is in line with expectations.

DETAILS OF THE PLACING

The Company is proposing to raise £2.5 million (£2.06 million net of expenses, excluding VAT) through a placing by Seymour Pierce Ellis of 250,000,000 New Ordinary Shares at 1 pence per share to certain persons, including the directors and persons connected with them.

The Placing Shares will represent approximately 76.29 per cent. of the Enlarged Share Capital of the Company on Admission. On Admission, it is expected that the Company will have a market capitalisation at the Placing Price of approximately £3.28 million.

Under the Placing Agreement, Seymour Pierce Ellis has agreed, as agent for the Company, conditional, *inter alia* on Admission to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price or subscribe itself for these shares. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. The Placing Agreement contains provisions entitling Seymour Pierce Ellis to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse and the Acquisition will not take place.

Further details of the Placing Agreement are set out in paragraph 12.1(k) of Part V of this document and further details of the Directors' interests are set out in paragraph 8.1 of Part V of this document.

USE OF PROCEEDS

The proceeds of the Placing net of the total anticipated costs and expenses of the Acquisition, Placing and Admission (including VAT) will be approximately £2.02 million which will be applied principally as follows:

£1,950,000 to fund the cash element of the consideration payable on Completion; and
£70,000 towards the general working capital of the Enlarged Group.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Directors recognise the importance of sound corporate governance and the guidelines set out in the Principles of Good Corporate Governance and Code of Best Practice (the "Combined Code"). The Directors have therefore taken steps to comply with the Combined Code so far as is appropriate having regard to the size and nature of the various companies making up the Group and the Enlarged Group. The Board has taken and will continue to take measures, so far as practicable, to comply with the Combined Code.

The Company has one executive Director and two non-executive Directors. The Board retains full and effective control over the Company. The Company holds regular monthly Board meetings at which financial and other reports are considered and, where appropriate, voted on.

The Board is also responsible for monitoring the activities of the executive management. The Directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities. These committees meet at least once during the financial year. The audit committee, which comprises Eric M Hagman and Peter J Ford (with Eric M Hagman acting as Chairman), determines and examines any matters relating to the financial affairs of the Company including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit. This will be extended to the Enlarged Group following Admission. In addition it considers the financial performance, position and prospects of the Company and ensures they are properly monitored and reported on.

The remuneration committee, which comprises Eric M Hagman and Peter J Ford (with Peter J Ford acting as Chairman), reviews the performance of the executive Directors and sets their remuneration, determines the payment of bonuses to the executive Directors and considers the Group's, and will consider the Enlarged Group's, bonus and option schemes.

The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Company's applicable employees. Accordingly, the Company has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules.

SHARE OPTION SCHEME

The Enlarged Group is taking the opportunity to adopt the proposed Company EMI Scheme. Your Board believes that such a scheme is desirable in order to assist the Enlarged Group in recruiting and retaining both directors and employees recognising the fact that, as a relatively small organisation, the size of the Enlarged Group may not allow it to be able to match salary levels paid elsewhere.

Subject to the passing of the Resolutions, it is proposed that any further options that are granted after Admission will be granted under the proposed Company EMI Scheme, approval for which is being sought from Shareholders. The Board intends, subject to the passing of the Resolutions, that Mr Duncan will be awarded share options over 10,000,000 Ordinary Shares at the Placing Price, exercisable after 15 February 2009, partly at the discretion of the Board and partly in accordance with performance criteria to be determined by the remuneration committee of the Board.

In addition, the Company has granted unapproved options to acquire 666,667 Ordinary Shares (equal to 0.20 per cent of the Ordinary Shares in issue on Admission) to Eric M Hagman at an exercise price of 3 pence per share. Details of the further terms of these options can be found at paragraph 5 of Part V of this document.

It is proposed that options will be granted pursuant to the proposed Company EMI Scheme over shares representing not more than 10 per cent. of the Company's issued share capital from time to time. Further details of the proposed Company EMI Scheme can be found at paragraph 5.2 of Part V of this document.

LOCK-UP UNDERTAKINGS

Immediately following Admission the Directors, Vendors and Employee Shareholders will be interested in aggregate in 48,954,654 Ordinary Shares, representing approximately 14.94 per cent. of the Enlarged Share Capital.

Each of the Directors, Margaret Duncan and Duncan Ventures Limited has undertaken to the Company, Seymour Pierce Ellis and Seymour Pierce (subject to certain limited exceptions, including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) not to dispose of the Ordinary Shares held by each of them following Admission or any other securities (or any interest in them or in respect of them) at any time prior to the end of the Lock-in Period without the prior written consent of the Company, Seymour Pierce Ellis and Seymour Pierce.

Furthermore, each of the Directors, Margaret Duncan and Duncan Ventures Limited has also agreed, for a period of twelve months following the expiry of the Lock-in Period to certain orderly market arrangements and to only dispose of their Ordinary Shares through Seymour Pierce Ellis, provided that it shall remain broker to the Company.

Each of the Vendors and certain of the Employee Shareholders has undertaken to the Company, Seymour Pierce Ellis and Seymour Pierce (subject to certain limited exceptions, including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) not to dispose of the First Consideration Shares held by each of them following Admission or the Second Consideration Shares held by each of them following the Second Completion or any other securities (or any interest in them or in respect of them) at any time prior to the end of the Lock-in Period or Second Lock-in Period (as the case may be) without the prior written consent of the Company, Seymour Pierce Ellis and Seymour Pierce.

Furthermore, each of the Vendors and certain of the Employee Shareholders has also agreed for a period of twelve months following the expiry of the Lock-in Period or, as the case may be, the Second Lock-in Period, to certain orderly market arrangements and to only dispose of their Ordinary Shares through Seymour Pierce Ellis, provided that it shall remain broker to the Company.

Details of these arrangements are set out in paragraph 12 of Part V of this document.

UNDERTAKINGS

An undertaking has been received from each of the Directors, Margaret Duncan and Duncan Ventures Limited in respect of the 21,271,577 Ordinary Shares held by them in aggregate which, at the date of this

document, represents approximately 30.4 per cent. of the issued share capital of the Company to vote in favour of the Resolutions.

The undertakings apply save in certain limited circumstances, including in connection with a takeover offer, the ability to accept an offer, to give irrevocable undertakings to accept an offer and to sell to an offeror or potential offeror who has been named in an announcement pursuant to the City Code.

DIVIDEND POLICY

The Directors do not intend to declare or pay a dividend in the immediate future but, subject to the availability of sufficient distributable profits, intend to recommend the payment of dividends when it becomes commercially prudent to do so and then subject to the retention of funds required to finance the Enlarged Group's future growth.

THE EXTRAORDINARY GENERAL MEETING

The approval of the Shareholders is required to implement the Acquisition as, under the AIM Rules, the Acquisition is classified as a reverse takeover requiring shareholder approval. Furthermore the issue of the New Ordinary Shares requires the Company to: increase its authorised share capital; authorise the Directors to allot the Placing Shares and the Consideration Shares pursuant to the Placing and the Acquisition without first offering the Placing Shares and the Consideration Shares to the holders of Existing Ordinary Shares as would otherwise be required under the Act; and, to authorise the Directors to allot New Ordinary Shares under the proposed Company EMI Scheme.

Accordingly, the Extraordinary General Meeting has been convened for 2.30 p.m. on 13 February 2006 for the purpose of considering, and if thought fit, passing the following resolutions:

Special Resolution

Resolution 1

(a) Approval of the Acquisition

As the Acquisition constitutes a reverse takeover, Shareholder approval of the Acquisition is required under the AIM Rules.

(b) Increase in authorised share capital

The increase in the authorised share capital from £800,000 to £6,000,000 by the creation of 520,000,000 Ordinary Shares is proposed to create sufficient authorised but unissued share capital to allot the New Ordinary Shares and to maintain an authorised share capital, following completion of the Proposals (including the issue of the maximum number of Second Consideration Shares) and Mr Hagman's option and the Company EMI Scheme to be adopted following Admission, of 160,131,949 Ordinary Shares representing approximately 48.87 per cent. of the Enlarged Share Capital.

(c) Authority to allot shares

It is proposed to give the directors of the Company from time to time authority to allot relevant securities up to an aggregate nominal amount of £5,300,000. The authority will expire on the date of the Annual General Meeting in 2007 or, if earlier, the date 15 months after the date of the passing of this resolution. After the allotment of the New Ordinary Shares and allowing for the allotment of the maximum number of Second Consolidation Shares and allotment of all the shares pursuant to Mr Hagman's Option and the Company EMI Scheme to be adopted following Admission, the Directors will have authority to allot up to 160,131,949 Ordinary Shares representing approximately 48.87 per cent. of the Enlarged Share Capital.

(d) Disapplication of pre-emption rights

The provisions of section 89(1) of the Act, to the extent that they have not been disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash. It is proposed that the provisions of section 89(1) of the Act will be generally disapplied in connection with the Acquisition, the Placing, a rights or other pre-emptive issue and any other issue of equity securities for cash up to an aggregate of £1,935,669.23 (representing approximately 59.07 per cent.

of the Enlarged Share Capital). The authority will expire on the date of the Annual General Meeting in 2007 or, if earlier, the date 15 months after the date of the passing of the resolution.

Ordinary Resolution

Resolution 2

It is proposed that the Directors establish the Company EMI Scheme.

Save as disclosed in this document, the Directors have no present intention of issuing further Ordinary Shares save as a result of the exercise of options under Mr Hagman's unapproved option and the Company EMI Scheme and pursuant to the Proposals.

Resolution 3

That for the purposes of Article 102.2 of the Articles the amount within which directors shall restrict the borrowings of the Company be increased to the greater of £5 million and an amount equal to four times the Adjusted Capital and Reserves (as defined in the Articles).

ADDITIONAL INFORMATION

Prospective investors should read the whole of this document which provides additional information on the Enlarged Group, the Acquisition and the Placing and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part II, which contains a summary of the risk factors relating to any investment in the Placing Shares.

Action to be taken

Shareholders will find enclosed a white Form of Proxy for use in connection with the Extraordinary General Meeting. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete the white Form of Proxy and return it to Computershare Investor Services as soon as possible, and in any event, so as to arrive not later than 2.30 p.m. on 11 February 2006. The completion and return of the white Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person should you wish to do so.

RECOMMENDATION

Your Board considers the Proposals, including the Acquisition and the Placing, to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings of 21,271,577 Ordinary Shares in aggregate, representing approximately 30.4 per cent. of the issued share capital of the Company.

Yours sincerely

ERIC M HAGMAN CBE
Chairman

PART II

RISK FACTORS

The Directors believe that the following risk factors should be considered, prior to making an investment in the Enlarged Group.

If any of the circumstances identified in the risk factors were to materialise, the Company's business, financial condition and results of operation could be materially affected.

An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

Dependence on key employees

The Company's future success is substantially dependent on the continued services and performance of its senior management and other key personnel in the various areas of the Group's business. Some of these individuals have still to be identified and recruited. The loss of the services of certain key employees or the inability to recruit sales, sales support and IT sales, support and consultancy personnel of the appropriate calibre could have a significant adverse effect on the business of the Enlarged Group.

Key man insurance of £150,000 is available to the Enlarged Group in respect of the life of Graham J Duncan. In the event of a claim, the Bank of Scotland would have first call over the sum insured to the extent of any outstanding bank borrowing owed to them.

Dependence on suppliers

The Enlarged Group is critically dependent on the reseller arrangements that it has with certain suppliers, particularly with Business Objects™. Although the intent is to broaden the range of suppliers over time, and therefore reduce the dependency on key suppliers, due to the nature of reseller arrangements it is likely that the Enlarged Group will continue to remain dependent on certain key suppliers.

Certain of the Enlarged Group's arrangements relating to the distribution of products and services of third parties are made on the third parties' standard terms and conditions which enable the relevant product or service provider to terminate the arrangements with the Enlarged Group at short notice, without cause, and, in certain cases, also contain very broad post-termination restrictive covenants which could, if capable of enforcement, restrict the way in which the Enlarged Group approaches the end customers should the existing arrangements be terminated.

Some of the Enlarged Group's existing and future services are, or will be, dependent on the availability of switching. The Enlarged Group currently uses one company for the provision of switching and the termination of this contract would require the Enlarged Group to source an alternative supplier and there is no guarantee that an alternative supplier would be found on acceptable terms or on a timeframe which would not cause customer loss or loss of revenue.

Requirement for further funding

It is likely that the Company will need to raise further funds in the future either to complete a proposed acquisition, to raise further working or development capital for such an acquisition or for general working capital for the Enlarged Group. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher.

Acceptability of Ordinary Shares as consideration

Although it is the Company's intention to issue Ordinary Shares to satisfy all or part of any consideration payable on an acquisition, vendors of suitable companies or businesses may not be prepared to accept

Ordinary Shares traded on AIM or may not be prepared to accept Ordinary Shares at the quoted market price.

Growth management

The Directors anticipate that further expansion will be required to address the anticipated growth in the markets in which the Enlarged Group's clients operate. The Group's future success will depend, in part, on its ability to manage this anticipated expansion. Such expansion is expected to place significant demands on management, support functions, accounting, sales and marketing and other resources. If the Enlarged Group is unable to manage its expansion effectively, its business and financial results could suffer.

Competition

Severe competition exists in all product areas, particularly in individual service strands and in many cases competitors cover a range of services provided by the Enlarged Group. The Enlarged Group must compete successfully with these competitors and there is no guarantee that the Enlarged Group can acquire a sufficient number of customers to sustain a long term business.

Dependence on key customers and contracts

Eclectic Group operates in niche markets and it has existing significant contracts with a limited number of customers and will be dependent in the future on winning further large value business deals to meet its targets. Should any of these existing contracts be terminated or not be renewed, or should Eclectic Group fail to win new contracts, it could have a material adverse effect on the trading position and any future profitability of the Enlarged Group.

Sensitivity of the Group's revenues and margins to regulatory issues

Glen Communications generates many of its revenues through the reselling of telecommunications services, whose supply by Glen Communications' network and service providers is regulated by OFCOM. There is therefore a risk that such revenues, and associated margins of the Enlarged Group, could be materially and adversely affected by any changes to the existing pricing structures of these telecommunications network and service providers or any decision by OFCOM to revoke or vary the terms of any licences or authorisations granted by it to the relevant telecommunications network and service providers.

Technology

The Company seeks to gain competitive advantage by deploying leading edge technology such as VoIP, the stability and acceptability of which may be problematic.

Investment in AIM securities

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List and traded on the London Stock Exchange's market for listed securities. An investment in Ordinary Shares may be difficult to realise.

Prospective investors should be aware that the value of Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

Potentially volatile share price and liquidity

The share price of quoted emerging companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise for their Ordinary Shares may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted companies generally. These factors could include the performance of the Group, large purchases or sales of Ordinary Shares, legislative changes and general, economic, political or regulatory conditions.

EIS and VCT relief

Provisional clearance has been received from HMRC that the Company is a qualifying company for EIS and VCT relief purposes. Although qualifying subscribers should obtain tax relief on their investments under EIS relief or VCT relief neither the Group nor the Directors can provide any warranty or guarantee in this regard. Applicants must take their own advice and rely on it.

Neither the Group nor the Directors give any warranties or undertakings that EIS relief or VCT relief, if granted, will not be withdrawn. Applicants must take their own advice and rely on it. If the Group carries on activities beyond those disclosed to the HMRC then Shareholders may cease to qualify for any such tax benefits outlined in this document.

Forward looking statements

This document contains forward-looking statements. These statements relate to the Company's future prospects, developments and business strategies.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts I and III of this document.

The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

If one or more of these risks or uncertainties described in this Part II materialises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

PART III

PART A: INFORMATION ON GLEN GROUP

Background to the Group

Glen Communications is positioned as a value added reseller of integrated IT and communications focused on managing a wide range of products and services for SMEs in the United Kingdom. The ethos of the Group is focused on the concept of a “one-stop-shop” for SMEs and it is positioned at the customer end of the supply chain.

Glen Communications has been operating from Scotland since early 2002 and the Ordinary Shares were admitted to trading on AIM in December 2004 in order to provide capital to expand significantly its geographic base through both acquisitions and organic growth and to allow the Group’s services to be made available across the UK. Glen Communications now has representation through its sales team from Scotland to the Midlands and expects to continue to develop its geographical coverage over time.

The Company is a holding company that acquired Glen Communications in November 2004, just prior to the AIM admission. The Group’s current operating entity, Glen Communications, was established by Graham J Duncan, who has been involved in the communications industry at a senior level for over 20 years, including as the founder and Executive Chairman of Atlantic Telecom Group PLC.

The Glen Communications business was established to provide communications services and has been expanded to deliver a range of IT and communications services because in the opinion of its Directors, there was a gap in the market for delivering these services from a single supplier. In many cases, SMEs have to source IT and communications products and services from a range of suppliers and the ability to make all the technologies work together can be problematic. IT skills have, in the opinion of the Directors, become critical to delivering an integrated suite of communications and IT services to the SME target market, driven in part by the increasing take up of broadband services. Glen Communications acquired a small IT services company, Soluis IT Limited, in May 2004 to bring IT skills within the Group.

In relation to the Group’s communications services, the Group connects customers to the appropriate third party network based on the individual customer’s needs. The Group remains agnostic when it comes to the choice of suppliers and it takes advantage of the competitive climate that the Directors believe is, in general terms, driving down prices.

Marketing and Sales

The key objective of the Group is to manage customers across a wide range of integrated IT and communication services. Since its inception, the Group has utilised a CRM that is able to capture potential customer data and which can be used as a sales tool. The Group intends to continue to expand its CRM in order to maximise customer acquisition and cross-selling opportunities. The CRM which the Group uses as an internal database tool is also a customer product.

The Directors are of the view that SME customers tend to source services from local suppliers. The Group’s strategy is therefore to develop a local presence in a number of areas, and expand the sales and IT skills set in these areas.

The Group’s overall positioning capitalises on the well known strategy adopted by the communications and IT industry of creating “channel partners”, or outlets, for network and other services. In return, the networks and value added suppliers provide income through commissions and, in certain but not all cases, a percentage of ongoing revenues to encourage the channel partner to expand the customer base. Channel partners in the communications and IT industry have historically tended to focus on a limited number of services. The Directors consider that the Group is different in that it intends to continue to develop the wide range of services which it offers, to suit the needs of SMEs. The Directors believe that not only does this create opportunities to sell specific services but it also gives the Group the opportunity to cross-sell the Group’s service portfolio, thereby creating further opportunities. This “one-stop-shop” concept is paramount to the Group’s strategy.

Products and Services

The Group offers an integrated suite of IT and communications products and services ranging from straightforward telecommunications connectivity to the development of complex IT systems. Many of the products and services focus on IP technology fuelled by the take-up of broadband, where the Directors believe that the convergence of voice, data and video will offer the Group substantial opportunities to develop its business.

The significant products and services offered by the Group are divided into the following categories:

- **IT Services**

The Group offers a range of IT solutions including server installation management and support, router deployment and management, and desk top installation support and management. Other IT services include maintenance and support for client's IT infrastructure, virus protection and monitoring solutions.

The Group also advises clients on telecommunication bandwidth requirements, such as broadband, and network access and security, including wireless access and VPN. The Group provides connectivity in conjunction with various suppliers who provide ISP services across the UK.

- **Mobile**

Mobile voice and data is an important area of the Group's business.

The Group offers an account management service that manages customers' mobile accounts with any of the five mobile networks in the UK. Glen Communications has also recently become a channel partner for a Vodafone service provider bringing another dimension to the portfolio. The Group's processes involve the review of customers' bills and the Group has been able to save customers considerable sums by switching networks and/or by ensuring that they receive the best pricing and services from their existing network.

The Group has developed a particular expertise in the deployment and provisioning of "Blackberry™" email solutions to the business market and it can also offer a wide range of advice to clients on mobile devices, handsets, vehicle kits and accessories and, through a specialist nationwide network of installation contractors, the Group can also provide hands-free vehicle kit installations.

- **Broadband Voice (VoIP)**

Broadband voice is a technology that allows voice to travel over data networks. The Directors believe that this has profound implications for telecommunications costs and will help drive down costs and expand value-added services over the next few years.

Converging voice, data and video onto a single network using IP technologies allows for much easier administration and cheaper costs. Using a broadband telephone handset, an IP PBX or a gateway converter attached to a traditional PBX or phone instrument, voice can be carried over a broadband connection. As broadband is charged on a fixed monthly fee, calls that remain on the broadband network without having to be switched onto a conventional voice network are delivered free.

The Group offers a suite of products available from a range of suppliers that allows the integration of voice services onto customers' broadband networks. The Group also provides, through a third party, a full switching service that allows seamless integration into legacy systems.

As the technology develops, the Group is introducing VoIP to its customers and potential customers in a controlled way by first introducing a hosted VoIP service which delivers many value added features to the customer without the need for a PBX.

- **Maximizer™**

“Maximizer™” is a CRM solution aimed at the SME and small corporate market and Glen has a reseller agreement with Maximizer™.

Business information, particularly customer information, is a valuable asset and it is important to use this information to ensure that the business grows. Glen Communications has a team of specialist sales and technical people who are experienced in discussing and specifying tailored CRM systems using Maximizer™.

Glen Communications was pleased to be awarded the Maximizer™ initiated channel partner “Best website marketing award 2005.”

- **Other Solutions**

- *Telecommunications Provision*

The Group offers a wide range of telecoms-specific services, including two branded pre-paid phone cards. It also provides advice on CPS and traditional voice-based technologies, although these conventional services are not core to the Group as the focus is on the newer IP technologies, such as VoIP.

- *Tracking*

The Group offers a mobile SIM tracking service which allows business customers to track their mobile assets by polling the SIM card in a mobile phone or mobile device.

The Market Opportunity

The SME population in the UK is significant. The Small Business Service, an executive agency of the Department of Trade and Industry published its SME statistics for 2004 on 25 August 2005. These show that there were an estimated 4.3 million business enterprises in the UK at the start of 2004, an increase of approximately 300,000 from the start of 2003. Of these, 99.3 per cent. were small (0-49 employees) and 0.6 per cent. were medium sized (50-249 employees).

PART B: INFORMATION ON ECLECTIC GROUP

Background to the Eclectic Group

Eclectic Group is a specialist organisation of business intelligence technology professionals acting as a value added reseller of IT services. The company provides full project life cycle capability including strategy, architecture review, development, implementation, training and resourcing. It aims its service portfolio at the corporate market.

Established to carry on a training business run by a listed plc in 2000, the Eclectic Group is based in Glasgow and London with additional training capacity in Edinburgh. During the last three years, the business intelligence capability of Eclectic has enjoyed significant growth. Eclectic Group works with clients across the UK, in both commercial and public sectors, and has a number of blue chip clients including Royal Bank of Scotland, Shell, Prudential, ntl: and NHS Scotland.

Eclectic Group's strategy has always been focused on the corporate market, although some of its services also have relevance to larger SMEs. In the opinion of the Directors, working within the corporate space requires suppliers to be focused and specialised. Although Eclectic Group has experience across all sectors, both commercial and public, it has specialist expertise in the areas of finance, utilities, oil and gas and public services. In the finance area, Eclectic Group has worked with some of the UK's leading financial services organisations to deploy solutions across a range of business areas including fund and asset management, insurance, retail banking and HR. In the utilities space, Eclectic Group has worked across diverse areas from call centre performance management to metrics determination and in the oil and gas area has built specialised knowledge and expertise in health and safety reporting and performance management, and integrated planning and finance. In public services, Eclectic Group is currently working on several projects both directly and through third parties and, in the opinion of the Directors, this sector is capable of delivering significant growth.

Marketing and Sales

Eclectic Group has a sales team that focuses on the business intelligence solutions and training. A key aspect of the marketing is based around the client experience and Eclectic Group makes extensive use of client case studies which are accessible from the Eclectic Group web site which is itself used as a sales tool.

Products and Services

The Eclectic Group offers a range of products and services in the areas of business intelligence solutions, training and resourcing.

- **Business Intelligence Solutions**

Enterprise performance management encompasses processes, metrics, methodologies, systems and data. Defining and implementing solutions which deliver continuous performance improvement is delivered through business intelligence technologies and best practice.

As a business intelligence solutions provider, Eclectic Group has the knowledge and capability to help clients navigate the complexities of management information solutions, which can add significant value for the customer.

Eclectic Group works in the business intelligence solutions space with industry leading suppliers. The core products are sourced from Business Objects™ and Oracle™. As well as providing product expertise, Eclectic Group also offers licences, helpdesk services, maintenance, support and accredited training.

- **Learning Services**

The Eclectic Group training division runs both public and private courses and are authorised training suppliers for Oracle™, Sun Microsystems™, Business Objects™ and Red Hat Linux™. Training from Eclectic Group covers a wide spectrum from beginners to masters and the company specialises in

bespoke training to fit the particular needs of the individual. Eclectic Group undertakes a full training needs analysis and then designs courses that can achieve results.

As well as running training courses, Eclectic Group can also manage a training resource for clients. In effect, this managed service allows clients to outsource their training requirements to Eclectic Group freeing clients to run their businesses.

Eclectic Group learning centres are located in Glasgow, Edinburgh and London but training needs are flexible and Eclectic Group can undertake training in-house anywhere in the UK.

- **Resourcing**

Historically, Eclectic Group has operated a full IT recruitment consultancy. Although this division has recently been downscaled, external placings can still be accommodated to meet client requirements.

The Market Opportunity

In the opinion of the Directors there are a number of key influences driving the growth in demand for business intelligence solutions.

- With the growth in data available to organisations, the Directors believe that there is increasing pressure on management to exploit this data in order to deliver operational performance improvements and to gain competitive advantage in the market. This involves the harnessing of data and the generation of performance metrics and key performance indicators, which improve reporting and accelerate the decision-making processes. As a result the Directors believe that Eclectic has experienced a demand for more complex, more robust and more scalable enterprise-wide solutions.
- The Directors believe that compliance and regulatory pressures are demanding more rigorous information reporting solutions based on reliable data.
- In the opinion of the Directors demands in the public sector for “best value” service delivery means that all departments are now performance driven and need to continually deliver efficiency savings.

Eclectic’s experience is that investments in business intelligence are across all market sectors but, in particular, financial services companies, the NHS and many government agencies have major planned expenditures. In the opinion of the Directors, these represent a considerable revenue opportunity for Eclectic Group allowing it to maximise its existing expertise in these sectors.

Eclectic Group’s principal technology supplier, Business Objects™, has experienced double-digit growth in license revenues over the last two years and is now one of the leading global business intelligence technology platform providers. Founded in 1990, Business Objects™ products are now used around the world and available in fourteen languages. Millions of users in over 29,000 organisations and in more than 80 countries use the solutions available from Business Objects™.

Microsoft SQL server 2005™ was recently launched and the Directors believe that this includes a much improved business intelligence product suite. Since Microsoft technology is pervasive in the market and a low cost alternative to many of the other vendors, in the opinion of the Directors, this platform will further expand the deployment of business intelligence consultancy and create opportunities for value added resellers. Eclectic Group is a Microsoft registered member and is working to achieve Microsoft certified partner status which the Directors believe would allow Eclectic Group to expand its implementation skills across this technology platform.

PART IV

FINANCIAL INFORMATION ON GLEN GROUP AND ECLECTIC

A(i) ACCOUNTANTS' REPORT ON GLEN GROUP

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

Grant Thornton 

The Directors
Glen Group plc
Unit 32/7
Hardengreen Industrial Estate
Dalkeith
Midlothian
EH22 3NX

20 January 2006

Dear Sirs

GLEN GROUP plc AND ITS SUBSIDIARIES ("The Group")

We report on the financial information set out in Section A(ii) in Part IV of this document. This financial information has been prepared for inclusion in the AIM admission document dated 20 January 2006 of Glen Group plc on the basis of the accounting policies set out in the notes to the financial information. This report is required by paragraph 20.1 of Annex 1 of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

RESPONSIBILITIES

The Directors of Glen Group plc are responsible for preparing the financial information on the basis of preparation set out within the accounting policies set out as part of the financial information and in accordance with United Kingdom law and accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

OPINION

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 20 January 2006, a true and fair view of the state of affairs of Glen Group plc as at the dates stated and of its results and cash flows for the periods then ended in accordance with the basis of preparation set out in the accounting policies to the financial information and in accordance with United Kingdom law and accounting standards and has been prepared in a form that is consistent with the accounting policies adopted in Glen Group plc's latest annual accounts.

DECLARATION

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

A(ii) FINANCIAL INFORMATION ON GLEN GROUP

The financial information set out in the historical financial information on Glen Group plc (the "Group") contained in Part A(ii) of this Part IV has been prepared solely for the purposes of the AIM admission document and does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act 1985.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For periods ended 30 September

	Note	2003 £'000	2004 £'000	2005 £'000
Turnover	(a)	265	374	538
Cost of sales		<u>(166)</u>	<u>(244)</u>	<u>(296)</u>
Gross profit		99	130	242
Other operating income and charges	(b)	<u>(282)</u>	<u>(334)</u>	<u>(804)</u>
Operating loss	(c)	(183)	(204)	(562)
Interest receivable		-	-	6
Interest payable and similar charges	(f)	<u>(3)</u>	<u>(1)</u>	<u>(16)</u>
Loss on ordinary activities before taxation		(186)	(205)	(572)
Tax on loss on ordinary activities		<u>-</u>	<u>-</u>	<u>-</u>
Loss for the financial year, carried forward		<u>(186)</u>	<u>(205)</u>	<u>(572)</u>
Basic loss per share (pence)	(g)	<u>0.74</u>	<u>0.82</u>	<u>1.18</u>

During 2004 the group carried out a corporate restructuring including the introduction of a new holding company. The profit and loss account has been prepared using merger accounting and is presented on a pro-forma basis as if the group has been in existence throughout both the current and the prior periods.

The consolidated profit and loss account from the date of incorporation of the new holding company to 30 September 2005 is given in note (z).

All of the activities of the group are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The accompanying accounting policies and notes form part of this financial information.

CONSOLIDATED BALANCE SHEETS

As at 30 September

	Note	2003 £'000	2004 £'000	2005 £'000
Fixed assets				
Tangible assets	(i)	10	12	50
Intangible assets	(j)	–	19	17
		<u>10</u>	<u>31</u>	<u>67</u>
Current assets				
Stocks	(k)	9	8	10
Debtors	(l)	48	63	209
Cash at bank and in hand		6	–	211
		<u>63</u>	<u>71</u>	<u>430</u>
Creditors: amounts falling due within one year	(m)	<u>(61)</u>	<u>(144)</u>	<u>(347)</u>
Net current assets/(liabilities)		<u>2</u>	<u>(73)</u>	<u>83</u>
Total assets less current liabilities		12	(42)	150
Creditors: amounts falling due after more than one year	(n)	<u>(50)</u>	<u>(102)</u>	<u>(58)</u>
		<u>(38)</u>	<u>(144)</u>	<u>92</u>
Capital and reserves				
Called-up equity share capital	(q)	250	250	600
Share premium account	(r)	500	500	958
Other reserves	(s)	(201)	(102)	(102)
Profit and loss account	(t)	<u>(587)</u>	<u>(792)</u>	<u>(1,364)</u>
Shareholders' (deficiency)/funds	(u)	<u>(38)</u>	<u>(144)</u>	<u>92</u>

The accompanying accounting policies and notes form part of this financial information.

CONSOLIDATED CASH FLOW STATEMENTS

For periods ended 30 September

	2003 £'000	2004 £'000	2005 £'000
RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES			
Operating loss from continuing activities	(186)	(204)	(562)
Depreciation	4	7	18
Amortisation	–	–	2
Decrease/(increase) in stock	5	–	(2)
Increase in debtors	(17)	(15)	(146)
Increase in creditors	23	42	166
Net cash outflow from continuing operating activities	<u>(171)</u>	<u>(170)</u>	<u>(524)</u>
CASH FLOW STATEMENT			
NET CASH OUTFLOW FROM CONTINUING ACTIVITIES	(171)	(170)	(524)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	–	–	7
Interest paid	–	(1)	(16)
Net cash outflow from returns on investments and servicing of finance	<u>–</u>	<u>(1)</u>	<u>(9)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets	(10)	(8)	(56)
Sale of tangible fixed assets	–	1	–
Net cash outflow from capital expenditure and financial investment	<u>(10)</u>	<u>(7)</u>	<u>(56)</u>
FINANCING			
Issue of shares	58	56	1,050
Receipt of bank finance	–	100	–
Repayment of borrowing	(14)	(5)	(16)
Proceeds of issue of unsecured loan notes	96	–	–
Receipt from/(repayment of) shareholders loans	13	(24)	7
Expenses paid in connection with share issues	–	–	(243)
Net cash inflow from financing	<u>153</u>	<u>127</u>	<u>798</u>
(DECREASE)/INCREASE IN CASH	<u>(28)</u>	<u>(51)</u>	<u>209</u>

CONSOLIDATED CASH FLOW STATEMENTS

ANALYSIS OF NET (DEBT)/FUNDS

As at 30 September

	2002 Cash Flows		2003 Cash Flows		2004 Cash Flows		2005
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash	34	(28)	6	(6)	–	211	211
Bank overdraft	–	–	–	(46)	(46)	(2)	(48)
	<u>34</u>	<u>(28)</u>	<u>6</u>	<u>(52)</u>	<u>(46)</u>	<u>209</u>	<u>163</u>
Debt	<u>(51)</u>	<u>1</u>	<u>(50)</u>	<u>(78)</u>	<u>(128)</u>	<u>9</u>	<u>(119)</u>
Net (debt)/funds	<u>(17)</u>	<u>(27)</u>	<u>(44)</u>	<u>(130)</u>	<u>(174)</u>	<u>218</u>	<u>44</u>

PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

This financial information has been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of preparation

During the year ended 30 September 2005 the group carried out a corporate restructuring including the introduction of a new holding company Glen Group plc, incorporated on 14 October 2004. On 15 November 2004, the company acquired the entire issued share capital of its subsidiary, Glen Communications Limited, for a consideration of £750,000 by way of a share for share exchange.

The results shown in the profit and loss account are pro forma, incorporating the results of Glen Communications Limited ("Communications") for the period from 1 October to 14 November 2004 and the consolidated results of Glen Group plc ("Group") for the period from 15 November 2004 to 30 September 2005. The comparative figures for the two years ended 30 September 2004 are extracted from the audited results of Communications for those years. The balance sheet as at 30 September 2005 is the consolidated balance sheet of Group. The comparative consolidated balance sheets at 30 September 2004 and 2003 are pro-forma and are derived from the audited balance sheet of Communications.

Basis of consolidation

The financial information includes the financial information of the Company and its subsidiaries. The combination of Glen Communications Limited ("Communications") and Glen Group plc ("Group") qualifies for merger accounting which aggregates the results of Group and Communications without creating any acquisition goodwill. As a result the profit and loss account shown in the consolidated balance sheet represents the aggregation of accumulated profits and losses since both companies were incorporated.

Merger accounting

Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an Intangible Asset on the balance sheet and amortised on a straight line basis over its useful economic life, which is estimated at 10 years. It is reviewed for impairment at the end of its first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. If a subsidiary is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale. The directors consider the economic life of goodwill based on each acquisition made by the company.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts. Turnover from mobile commissions is recognised when the customers are connected to the relevant network. Turnover from information technology services are billed to clients in accordance with agreed terms, in line with performance of the contract. Turnover from the sale of pre-paid phone cards is recognised when the cards are used, excluding VAT and trade discounts.

Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. When exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery – over 3 years
Fixtures & Fittings – over 3 years
Motor Vehicles – over 3 years
Equipment – over 3 years

Investments

Investments are included at cost less amounts written off.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Retirement benefits

The group operates a defined contribution pension scheme. Pension costs are charged to the profit and loss account in the period to which they relate.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

NOTES TO THE FINANCIAL INFORMATION

For periods ended 30 September

(a) Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2003 £'000	2004 £'000	2005 £'000
United Kingdom	<u>265</u>	<u>374</u>	<u>538</u>

(b) Other operating income and charges

	2003 £'000	2004 £'000	2005 £'000
Administrative expenses	<u>282</u>	<u>334</u>	<u>804</u>

(c) Operating loss

Operating loss is stated after charging:

	2003 £'000	2004 £'000	2005 £'000
Depreciation of owned fixed assets	4	6	18
Amortisation of goodwill	–	–	2
Other operating lease rentals:			
– buildings	6	11	16
– office equipment	1	1	1
Auditors' remuneration:			
Audit fees:			
– company	–	4	9
– group	–	–	8
Non audit fees:			
– company	–	–	–
– group	–	–	1

In addition, remuneration paid to the auditors in respect of the flotation in 2005, totalling £27,000 has been included within the share premium account.

(d) Directors and employees

The average number of staff employed by the company during each financial year amounted to:

	2003 No	2004 No	2005 No
Number of management staff	2	2	5
Number of operational staff	<u>3</u>	<u>4</u>	<u>12</u>
	<u>5</u>	<u>6</u>	<u>17</u>

Employee numbers include directors.

The aggregate payroll costs of the above were:

	<i>2003</i> £'000	<i>2004</i> £'000	<i>2005</i> £'000
Wages and salaries	176	204	431
Social security costs	18	22	44
Other pension costs	–	–	11
	<u>194</u>	<u>226</u>	<u>486</u>

Employee costs are stated including directors, but (in 2005) excluding fees payable to E M Hagman which are shown below.

(e) Directors

Remuneration in respect of directors was as follows:

	<i>2003</i> <i>Totals</i>	<i>2004</i> <i>Totals</i>	<i>2005</i> <i>Totals</i>
E M Hagman	–	–	19
G J Duncan	60	60	102
P J Ford	10	10	14
	<u>70</u>	<u>70</u>	<u>135</u>

(f) Interest payable and similar charges

	<i>2003</i> £'000	<i>2004</i> £'000	<i>2005</i> £'000
Interest payable on bank borrowing	–	1	2
Other similar charges payable	3	–	14
	<u>3</u>	<u>1</u>	<u>16</u>

(g) Loss per share

	<i>2003</i> £'000	<i>2004</i> £'000	<i>2005</i> £'000
Loss attributable to ordinary shareholders	<u>186</u>	<u>205</u>	<u>572</u>
	<i>No</i>	<i>No</i>	<i>No</i>
Weighted average number of ordinary shares	25,000,000	25,000,000	48,333,333
Loss per share (pence)	<u>0.74</u>	<u>0.82</u>	<u>1.18</u>

FRS 14 requires presentation of diluted EPS to reflect all outstanding share options where their future exercise would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally and there were no other diluting share issues, diluted EPS has not been presented for the three years ended 30 September 2005.

(h) Tax on loss on ordinary activities

The tax charge/credit represents

	2003 £'000	2004 £'000	2005 £'000
United Kingdom corporation tax at 19%			
Total current tax	–	–	–
Total deferred tax	–	–	–
Tax on profit on ordinary activities	<u>–</u>	<u>–</u>	<u>–</u>

Unrelieved tax losses of approximately £1,000,000 (2004: £470,000; 2003: £275,000) are available to offset against future taxable trading profits.

Factors affecting tax charge for the period.

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19 per cent. The differences are explained as follows:

	2003 £'000	2004 £'000	2005 £'000
Loss on ordinary activities before tax	(186)	(205)	(572)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(35)	(39)	(109)
Expenses not deductible for tax purposes	1	–	1
Capital allowances in excess of depreciation	1	1	(2)
Tax losses available to carry forward	<u>33</u>	<u>38</u>	<u>110</u>
Current tax charge for the period	<u>–</u>	<u>–</u>	<u>–</u>

(i) Tangible fixed assets

	2003 £'000	2004 £'000	2005 £'000
Cost			
At start of period	4	14	22
Additions	10	8	56
Disposals	–	(1)	–
At end of period	<u>14</u>	<u>21</u>	<u>78</u>
Depreciation			
At start of period	–	4	10
Charge	4	6	18
Disposals	–	(1)	–
At end of period	<u>4</u>	<u>9</u>	<u>28</u>
Net book value			
At end of period	<u>10</u>	<u>12</u>	<u>50</u>

Tangible fixed assets include fixtures, fittings, IT equipment and motor vehicles

(j) Intangible fixed assets

	<i>2003</i> £'000	<i>2004</i> £'000	<i>2005</i> £'000
Goodwill			
Cost			
At 1 October	–	–	19
Additions	–	19	–
Disposals	–	–	–
	<u>–</u>	<u>19</u>	<u>19</u>
At 30 September	<u>–</u>	<u>19</u>	<u>19</u>
Amortisation			
At 1 October	–	–	–
Charge for the year	–	–	2
	<u>–</u>	<u>–</u>	<u>2</u>
At 30 September	<u>–</u>	<u>–</u>	<u>2</u>
Net book value			
At 30 September	<u>–</u>	<u>19</u>	<u>17</u>

During the year to 30 September 2004 Glen Communications Limited purchased 100 per cent. of the issued share capital of Soluis IT Limited. The goodwill reflects the excess of the purchase consideration over the underlying net assets acquired.

(k) Stocks

	<i>2003</i> £'000	<i>2004</i> £'000	<i>2005</i> £'000
Goods for resale	<u>9</u>	<u>8</u>	<u>10</u>

(l) Debtors

	<i>2003</i> £'000	<i>2004</i> £'000	<i>2005</i> £'000
Trade debtors	21	51	52
Other debtors	–	–	2
Prepayments and accrued income	<u>27</u>	<u>12</u>	<u>155</u>
	<u>48</u>	<u>63</u>	<u>209</u>

(m) Creditors: amounts falling due within one year

	<i>2003</i> £'000	<i>2004</i> £'000	<i>2005</i> £'000
Bank loans and overdrafts	–	66	68
Trade creditors	35	26	127
Other taxation and social security	11	14	42
Other creditors	3	10	3
Directors' loans	–	–	28
Accruals and deferred income	<u>12</u>	<u>28</u>	<u>79</u>
	<u>61</u>	<u>144</u>	<u>347</u>

Included within accruals are amounts totalling £12,000 (2004: £6,000); (2003: £nil) due to Duncan Ventures Limited. Further details are included in note (o).

(n) Creditors: amounts falling due after more than one year

	2003 £'000	2004 £'000	2005 £'000
Bank loans and overdrafts	–	75	58
Directors' loans	50	27	–
	<u>50</u>	<u>102</u>	<u>58</u>

(o) Borrowing

	2003 £'000	2004 £'000	2005 £'000
Due within one year:			
– bank overdraft	–	46	48
– bank loan	–	20	20
– Directors' loans	–	–	28
– loan due to a related party	1	6	12
Due between two and five years:			
– bank overdraft	–	–	–
– bank loan	–	75	58
– Directors' loans	50	26	–
– loan due to a related party	–	–	–
	<u>51</u>	<u>173</u>	<u>166</u>

The bank overdraft and bank loan are secured by a Floating Charge held by Bank of Scotland over all of the assets and undertakings of Glen Communications Limited. The overdraft and loan are also secured by personal guarantees given by the directors of Glen Communications Limited. The bank overdraft and bank loan bear interest at 2.75 per cent. above the base rate of Bank of Scotland.

The subsidiary directors' loans are unsecured and were interest free for the period ended 30th November 2004. From that date the loans have borne interest at 2.75 per cent. above the base rate of Bank of Scotland and are due for repayment on the 1 December 2005. At 30 September 2005, the directors' loans were represented by amounts due to P Ford totalling £20,000 and G Duncan £8,000.

The loan due to a related party is due to Duncan Ventures Limited, a company controlled by Graham J Duncan. This loan is unsecured and was interest free for the period ended 30 November 2004. From that date the loan has borne interest at 2.75 per cent. above the base rate of Bank of Scotland and is due for repayment on the 1 December 2005.

(p) Leasing commitments

At 30 September the group had annual commitments under non-cancellable operating leases as set out below:

	2003		2004		2005	
	<i>Land & Buildings</i>	<i>Other Items</i>	<i>Land & Buildings</i>	<i>Other Items</i>	<i>Land & Buildings</i>	<i>Other Items</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
Within 1 year	12	–	12	1	9	50
Within 2 to 5 years	–	9	–	9	–	109
	<u>12</u>	<u>9</u>	<u>12</u>	<u>10</u>	<u>9</u>	<u>159</u>

(q) Share capital

Authorised share capital:

	2003		2004		2005	
	No.	£	No.	£	No.	£
Ordinary shares of £0.01 each	<u>80,000,000</u>	<u>800,000</u>	<u>80,000,000</u>	<u>800,000</u>	<u>80,000,000</u>	<u>800,000</u>

Allotted, called up and fully paid:

	2003		2004		2005	
	No.	£	No.	£	No.	£
Ordinary shares of £0.01 each	<u>25,000,000</u>	<u>250,000</u>	<u>25,000,000</u>	<u>250,000</u>	<u>60,000,000</u>	<u>600,000</u>

Although the company was incorporated on 14 October 2004, comparative balances (that relate only to the group) have been presented on a pro forma basis. This is to comply with the provisions of merger accounting, as noted in the accounting policies, whereby the group is treated as if it had always been in existence.

Upon incorporation, two subscriber shares of £0.01 each were issued at par.

On 15 November 2004, 24,999,998 ordinary shares of £0.01 each were issued at £0.03 per share in consideration for the transfer to the company of the entire issued share capital of Glen Communications Limited and, accordingly, more than 10 per cent. of capital has been paid for other than in cash.

On 24 November 2004 options over 666,667 ordinary shares of £0.01 each were granted to E M Hagman at £0.03 per share.

On 25 November 2004 the Company entered into a placing agreement with Seymour Pierce Limited and Seymour Pierce Ellis Limited pursuant to which Seymour Pierce Ellis agreed to place 25,000,000 ordinary shares of £0.01 each at a price of £0.03 pence per share on behalf of the Company. The placing was conditional, *inter alia*, upon admission of the Company's share capital to the AIM market of the London Stock Exchange which took effect on 1 December 2004. This issue raised £750,000 (before expenses).

On 20 June 2005 the Company issued a further 10,000,000 ordinary shares of £0.01 each at £0.03 per share to raise a further £300,000 (before expenses).

Post balance sheet event

On 24 October 2005, the company issued a further 10,000,000 new ordinary shares of £0.01 each at £0.025 per share. The new ordinary shares rank *pari passu* with the existing ordinary shares.

(r) Share premium account

	2003 £'000	2004 £'000	2005 £'000
Balance brought forward	500	500	500
Premium on shares issued in the year	–	–	700
Share issue expenses	–	–	(242)
Balance carried forward	<u>500</u>	<u>500</u>	<u>958</u>

During 2005 the Company issued 35,000,000 ordinary shares of £0.01 each at a premium of £0.02 each.

(s) Other reserves

	2003 £'000	2004 £'000	2005 £'000
Balance brought forward	(261)	(201)	(102)
Issue of shares in subsidiary	60	99	–
Balance carried forward	<u>(201)</u>	<u>(102)</u>	<u>(102)</u>

This relates to the acquisition of Glen Communications Limited which qualifies for merger accounting.

(t) Profit and loss account

	2003 £'000	2004 £'000	2005 £'000
Balance brought forward	(401)	(587)	(792)
Accumulated loss for the year	(186)	(205)	(572)
Balance carried forward	<u>(587)</u>	<u>(792)</u>	<u>(1,364)</u>

(u) Reconciliation of movements in shareholders' funds

	2003 £'000	2004 £'000	2005 £'000
Profit/(loss) for the financial year	(186)	(205)	(572)
New share capital subscribed	–	–	350
Net premium on new shares	–	–	458
Issue of shares in subsidiary	–	99	–
Movement on shareholders' equity	(186)	(106)	236
Opening shareholders' equity/(deficit)	148	(38)	(144)
Closing shareholders' (deficit)/equity	<u>(38)</u>	<u>(144)</u>	<u>92</u>

(v) Financial instruments

The group finances its operations through equity and bank borrowings. During the three years ended 30 September 2005, Glen Communications Limited was also financed by loans from its directors and by Duncan Ventures Limited, a company controlled by Graham J Duncan. No speculative treasury transactions are undertaken and during the last two years no derivative contracts were entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, investments and borrowings. Short term debtors and creditors have been excluded from the following disclosures.

The fair value of the Group's financial assets and liabilities is not materially different to book value.

	2003 £'000	2004 £'000	2005 £'000
Financial assets			
The group's financial assets and their maturity profile are:			
Cash at bank and in hand	6	–	211
	<u>6</u>	<u>–</u>	<u>211</u>
Maturing			
One year or less on demand	6	–	211
	<u>6</u>	<u>–</u>	<u>211</u>
Financial liabilities			
The group's financial liabilities and their maturity profile are:			
Bank overdraft	–	46	48
Bank loan	–	95	78
Directors' loans	50	27	28
Loan due to a related party	–	6	12
	<u>50</u>	<u>174</u>	<u>166</u>

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The group policy throughout the year has been to ensure continuity of funding by a combination of equity funding and available bank facilities.

Interest rate risk

The interest rate on the group's cash at bank is determined by reference to the bank rate. The interest rates on all the group's financial liabilities are at 2.75 per cent. above the base rate of Bank of Scotland plc.

The group has a committed overdraft facility of £50,000 (2004: £50,000) which falls due for renewal in December 2006. The group has a £100,000 five year term loan facility repayable in 60 monthly instalments of capital and interest, with the final payment falling due in 2009.

(w) Acquisition

On 15 November 2004, the entire issued share capital of Glen Communications Limited was acquired via a share exchange. The combination has been accounted for using the merger method of accounting. Further details of the transaction are included in Accounting Policies, Basis of Preparation.

(x) Controlling related party

At 30 September there was no ultimate controlling party and the Company was not a subsidiary of a parent undertaking.

(y) Deferred tax

Deferred tax asset provided for in the financial statements is set out below.

	<i>Unrecognised</i> 2003 £'000	<i>Unrecognised</i> 2004 £'000	<i>Unrecognised</i> 2005 £'000
Accelerated capital allowances	–	(2)	–
Tax losses carried forward	(52)	(90)	(199)
	<u>(52)</u>	<u>(92)</u>	<u>(199)</u>

Deferred tax assets have not been recognised in respect of these losses due to the current trading position of the group.

(z) Glen Group plc consolidated profit and loss from date of incorporation on 14 October 2004 to 30 September 2005

	£'000
Group turnover	438
Cost of sales	244
	<hr/>
Gross profit	194
Other operating income and charges	(736)
	<hr/>
Operating loss	(542)
Interest receivable	7
Interest payable and similar charges	(14)
	<hr/>
Loss on ordinary activities before taxation	(549)
Tax on loss on ordinary activities	-
	<hr/>
Loss for the period	(549)
	<hr/> <hr/>

The profit and loss above is required by the Companies Act 1985 and covers the first statutory accounting reference period of Glen Group plc from its date of incorporation on 14 October 2004 to 30 September 2005.

Disclosure notes for this period are not presented as the Directors do not believe they would provide meaningful information to users of the financial information.

(aa) Capital commitments

There were no capital commitments at 30 September 2005, 30 September 2004 or 30 September 2003.

(bb) Contingent liabilities

There were no contingent liabilities at 30 September 2005, 30 September 2004 or 30 September 2003.

(cc) Pension Scheme

The group offers its employees a defined contribution pension scheme, which is operated by Standard Life and advised upon by Heath Lambert Consulting.

(dd) Post balance sheet event

On 24 October 2005, the Company issued a further 10,000,000 new ordinary shares of £0.01 each at £0.025 per share. The new ordinary shares rank *pari passu* with existing ordinary shares.

On 20 January 2006, the Company announced that it had acquired, subject to shareholder approval, the entire issued share capital of Eclectic Holdings Limited, a provider of highly skilled, high value and specialised IT and business consultants to the corporate market.

The initial consideration of £2,212,500 is being satisfied:

- (a) through a placing of 250,000,000 ordinary shares at a price of 1 pence per share to raise £2,500,000 which will be used to satisfy the cash element of the acquisition, amounting to £1,950,000, and to provide working capital to the group, including sums required to pay the costs of the acquisition and of the placing; and
- (b) the issue of 7,683,077 ordinary shares at a price of 3.4166 pence per share, totalling £262,500, to the vendors as the first consideration.

A further sum of up to £787,500 will become payable to the vendors depending on the profit before interest and taxation and goodwill amortisation of Eclectic Holdings Limited in the year ended 31 July 2006.

B(i) ACCOUNTANTS' REPORT ON ECLECTIC

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

Grant Thornton 

The Directors
Glen Group plc
Unit 32/7
Hardengreen Industrial Estate
Dalkeith
Midlothian
EH22 3NX

20 January 2006

Dear Sirs

ECLECTIC HOLDINGS LIMITED AND ITS SUBSIDIARIES ("THE GROUP")

We report on the financial information set out in Section B(ii) in Part IV of this document. This financial information has been prepared specifically for inclusion in the AIM admission document dated 20 January 2006 of Glen Group plc on the basis of the accounting policies of Eclectic Holdings Limited set out in the notes to the financial information.

RESPONSIBILITIES

The Directors of Glen Group plc are responsible for preparing the financial information on the basis of preparation set out within the accounting policies set out as part of the financial information and in accordance with United Kingdom law and accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 20 January 2006, a true and fair view of the state of affairs of Eclectic Holdings Limited as at the dates stated and of its results and cash flows for the periods then ended in accordance with the basis of preparation set out in the accounting policies to the financial information and in accordance with United Kingdom law and accounting standards and has been prepared in a form that is consistent with the accounting policies adopted by Eclectic Holdings Limited's latest annual accounts.

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Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

DECLARATION

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

B(ii) FINANCIAL INFORMATION ON ECLECTIC

The financial information set out in the historical financial information on Eclectic Holdings Limited (“the Group”) contained in Part B(ii) of this Part IV has been prepared solely for the purposes of the AIM admission document and does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act 1985.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	<i>Years ended 31 July</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	2,377	2,985	3,314
Cost of sales	<u>(1,858)</u>	<u>(2,177)</u>	<u>(2,457)</u>
Gross Profit	519	808	857
Administrative expenses	<u>(612)</u>	<u>(775)</u>	<u>(933)</u>
Operating (loss)/profit	(a) (93)	33	(76)
Interest Receivable	6	3	2
Interest Payable	<u>(3)</u>	<u>(4)</u>	<u>(22)</u>
(Loss)/profit on Ordinary activities before taxation	(90)	32	(96)
Tax on (loss)/profit on ordinary activities before taxation	(c) 18	<u>(13)</u>	<u>(3)</u>
(Loss)/profit on ordinary activities after taxation	(72)	19	(99)
Dividends	(d) –	–	(37)
Loss)/profit for the financial year	<u>(72)</u>	<u>19</u>	<u>(136)</u>
Basic loss per share (pence)	(e) (72p)	13p	(12p)

All of the activities of the group are classified as continuing. The group has no recognised gains or losses other than the results for the year as set out above.

The accompanying accounting policies and notes form part of this financial information.

CONSOLIDATED BALANCE SHEETS AT 31 JULY

	Note	2003 £'000	2004 £'000	2005 £'000
Fixed assets				
Intangible fixed assets	(f)	–	1,017	921
Tangible fixed assets	(g)	60	58	48
		<u>60</u>	<u>1,075</u>	<u>969</u>
Current Assets				
Stock		18	13	18
Debtors	(h)	361	585	814
Bank		66	283	1
		<u>445</u>	<u>881</u>	<u>833</u>
Creditors: amounts falling due within one year	(i)	<u>(338)</u>	<u>(854)</u>	<u>(832)</u>
Net current assets		<u>107</u>	<u>27</u>	<u>1</u>
Total assets less current liabilities		<u>167</u>	<u>1,102</u>	<u>970</u>
Creditors: amounts falling due after more than one year	(j)	(22)	(111)	(118)
Provisions for liabilities and charges	(k)	(5)	(6)	(3)
		<u>140</u>	<u>985</u>	<u>849</u>
Net assets		<u>140</u>	<u>985</u>	<u>849</u>
Capital and reserves				
Called up equity share capital	(m)	1	8	8
Share Premium Account	(n)	100	919	919
Profit and Loss account	(n)	39	58	(78)
		<u>140</u>	<u>985</u>	<u>849</u>
Shareholders funds		<u>140</u>	<u>985</u>	<u>849</u>

The accompanying notes and accounting policies form an integral part of this financial information

CONSOLIDATED CASH FLOW STATEMENTS

For the periods ended 31 July

	Note	2003 £'000	2004 £'000	2005 £'000
Net cash (outflow) from operating activities	(p)	(5)	85	(47)
Returns on investments and servicing of finance				
Interest received		6	3	2
Interest paid		(3)	(4)	(22)
Net cash outflow from returns on investments and servicing of finance		3	(1)	(20)
Taxation		(11)	(7)	–
Capital expenditure				
Fixed asset additions		(6)	(18)	(31)
Additional cost of investment		–	–	(6)
		(6)	(18)	(37)
Equity Dividends		–	–	(37)
Financing				
Loan notes repaid		–	(40)	(50)
Capital element of hire purchase		(17)	(27)	(22)
New loan received		–	–	110
Loan repayments		–	–	(20)
Net cash (outflow)/inflow from financing		(17)	(67)	(18)
(Decrease)/Increase in cash	(q)	(36)	(8)	(123)

The accompanying notes and accounting policies form an integral part of this financial information.

PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with the applicable accounting standards.

Basis of preparation

During the year ended 31 July 2004 the group carried out a corporate restructuring including the introduction of a new holding company, Eclectic Holdings Limited; incorporated on 8 January 2004. On 7 July 2004 Eclectic Holdings Limited acquired the shares in Eclectic Group Limited by way of a share for share exchange and by the payment of cash and the issue of loan notes to one of the shareholders.

The combination has been accounted for as an acquisition by Eclectic Holdings Limited. Merger accounting could not be applied due to the level of cash and loan note consideration.

The 2005 results are the consolidated results of Eclectic Holdings Limited and the 2003 and 2004 comparative figures are the results of Eclectic Group Limited. The balance sheets at 31 July 2005 and 31 July 2004 are the consolidated balance sheets of the group. The comparative balance sheet at 31 July 2003 is derived from the audited balance sheet of Eclectic Group Limited.

Basis of consolidation

The consolidated financial information incorporates the financial information of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off on a straight line basis from the date of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an Intangible Asset on the balance sheet and amortised on a straight line basis over its useful economic life, which is estimated at 10 years. It is reviewed for impairment at the end of its first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. If a subsidiary is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale.

Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax. Income from consultancy and training services are recognised when the service is delivered.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property – 33% on cost

Fixtures and fittings – 33% on cost

Computer equipment – 33% on cost

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter. The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Retirement benefits

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Financial instruments

Financial assets are recognized in the balance sheet at the lower of cost and net realizable value. Provision is made for diminution in value where appropriate.

Income and expenditure arising on financial instruments is recognized on the accruals basis, and credited or charged to profit and loss accounts in the financials period to which it relates.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments on such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

NOTES TO THE FINANCIAL STATEMENTS

(a) Operating (loss)/profit

Operating profit/loss is stated after charging/(crediting):

	2003 £'000	2004 £'000	2005 £'000
Directors' emoluments and other benefits	167	195	145
Directors' pension contributions	–	–	4
Depreciation – owned assets	25	13	24
Depreciation – assets held under finance arrangements	18	24	17
Amortisation of goodwill	–	–	102
Auditors' remuneration	6	–	5
Pension costs	4	3	5
	<u>167</u>	<u>195</u>	<u>145</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	–	–	2
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Amounts paid to auditors for services other than audit:

Accounting and tax services	1	2	2
Payroll services	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>

(b) Directors and employees

	2003 £'000	2004 £'000	2005 £'000
Wages and salaries	517	678	1,024
Social security	52	81	120
Other pension costs	4	3	5
	<u>573</u>	<u>762</u>	<u>1,149</u>

Average number of employees including directors	20	26	37
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Remuneration in respect of directors:

Aggregate emoluments	167	195	145
Directors' pension contributions	–	–	4
	<u>167</u>	<u>195</u>	<u>149</u>

	2003 Salary £'000	2004 Salary £'000	2005 Salary £'000	2005 Pension £'000
George Knox	3	3	3	–
Colin West	55	68	54	2
Mark Simpson	54	63	88	2
John Paterson	55	61	–	–
	<u>167</u>	<u>195</u>	<u>145</u>	<u>4</u>

In addition the group made consultancy payments to Colinhill Consultancy, a business operated by George Knox. These consultancy payments amounted to £71,000 in the year ended 31 July 2005 (2004: £70,000; 2003: £32,000).

(c) Taxation

The tax charge on the profit on ordinary activities was as follows:

	2003 £'000	2004 £'000	2005 £'000
Current tax:			
UK corporation tax	(11)	13	5
Overprovision previous year	(1)	–	–
Group relief payable		–	1
Total current tax	<u>(12)</u>	<u>13</u>	<u>6</u>
Deferred tax:			
Origination and reversal of timing differences	(6)	–	(3)
Tax on profit on ordinary activities	<u>18</u>	<u>13</u>	<u>3</u>

Factors affecting the tax charge

The tax assessed for the period differs from the standard rate of corporation tax that would result from applying the standard rate of United Kingdom corporation tax to the loss on ordinary activities. The differences are explained as follows:

	2003 £'000	2004 £'000	2005 £'000
(Loss)/profit on ordinary activities before tax	(90)	32	6
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax of 19% (2004: 19%, 2003: 19%)	(17)	6	1
Effects of:			
Expenses not deductible for tax purposes	(1)	(4)	(1)
Depreciation in excess of capital allowance	1	5	4
Other timing differences	(1)	6	(1)
Current tax charge for the period	<u>(18)</u>	<u>13</u>	<u>3</u>

(d) Dividends

	2003 £'000	2004 £'000	2005 £'000
Interim dividends paid on ordinary shares	<u>–</u>	<u>–</u>	<u>37</u>

One director, M. Simpson, waived any entitlement to a dividend in 2005.

(e) (Loss)/profit per ordinary share

The calculation of (loss)/profit per ordinary share is based on the following:

	(Loss)/ profit for the year	Weighted average number of shares	(Loss)/ profit per share
2003	(£72,000)	100,000	(72p)
2004	£19,000	148,000	13p
2005	(£99,000)	830,000	(12p)

There is no dilutive effect on the (loss)/profit per share and consequently this has not been calculated.

The weighted average number of shares for 2003 is based on issued share capital of Eclectic Group Limited, which remained unchanged throughout this year.

The weighted average number of shares for 2004 is based on issued share capital of Eclectic Group Limited until 7 July 2004, at which point the corporate restructuring took place and Eclectic Holdings Limited acquired the shares in Eclectic Group Limited by way of a share for share exchange and by the issue of loan notes to one of the shareholders.

(f) Intangible fixed assets

	2003 £'000	2004 £'000	2005 £'000
Cost:			
At 1 August	–	–	1,017
Additions	–	1,017	6
At 31 July	–	1,017	1,023
Amortisation:			
At 1 August	–	–	–
Charge for year	–	–	102
At 31 July	–	–	102
Net book value:			
At 31 July	–	1,017	921

Intangible assets relates to goodwill arising on the acquisition of Eclectic Group Limited by Eclectic Holdings Limited, on 7 July 2004. As this acquisition took place at an advanced stage in the 2004 financial year no amortisation has been charged for this year.

(g) Tangible fixed assets

	<i>Leasehold Improvements</i> £'000	<i>Fixtures and fittings</i> £'000	<i>Computer equipment</i> £'000	<i>Total</i> £'000
Cost:				
At 1 August 2002	8	10	86	104
Additions	2	3	34	39
At 31 July 2003	10	13	120	143
Additions	13	5	17	35
At 31 July 2004	23	18	137	178
Additions	–	7	24	31
At 31 July 2005	23	25	161	209
Depreciation:				
At 1 August 2002	2	2	35	39
Charge	4	4	36	44
At 31 July 2003	6	6	71	83
Charge	4	6	27	37
At 31 July 2004	10	12	98	120
Charge	6	5	30	41
At 31 July 2005	16	17	128	161
Net Book Value at 31 July 2005	7	8	33	48
Net Book Value at 31 July 2004	13	6	39	58
Net Book Value at 31 July 2003	4	7	49	60

The net book value includes £14,000 (2004: £37,000; 2003: £44,000) in respect of assets held under finance arrangements.

(h) Debtors

	2003 £'000	2004 £'000	2005 £'000
Trade debtors	280	518	664
Other debtors	16	8	9
Prepayments and accrued income	16	10	104
Other debtors	30	30	30
Taxation	19	19	7
	<u>361</u>	<u>585</u>	<u>814</u>

Other debtors comprise sums due from a director in respect of unpaid share capital of Eclectic Group Limited.

(i) Creditors: amounts falling due within one year

	2003 £'000	2004 £'000	2005 £'000
Bank overdraft and loans	–	225	87
Loan Notes	–	50	50
Trade creditors	115	96	175
Deferred Income	30	100	76
Hire Purchase	22	23	12
Other creditors	5	5	5
VAT	39	115	118
Social security and other taxes	22	37	44
Taxation	8	13	7
Accrued expenses	97	190	258
	<u>338</u>	<u>854</u>	<u>832</u>

(j) Creditors: amounts falling due in more than one year

	2003 £'000	2004 £'000	2005 £'000
Bank loans	–	–	68
Loan Notes	–	100	50
Hire Purchase	22	11	–
	<u>22</u>	<u>111</u>	<u>118</u>

(k) Provisions for liabilities and charges

	2003 £'000	2004 £'000	2005 £'000
Deferred taxation	<u>5</u>	<u>6</u>	<u>3</u>

(l) Secured debts

The following secured debts are included within creditors. These debts are secured by a floating charge over the assets of Eclectic Group Limited.

	2003 £'000	2004 £'000	2005 £'000
Bank overdraft	–	225	65
Bank loans	–	–	90
	<u>–</u>	<u>225</u>	<u>155</u>

Maturity of financial liabilities

The Company's financial liabilities analysis was as follows:

	2003 £'000	2004 £'000	2005 £'000
In less than one year or on demand			
Bank overdraft	–	225	65
Term loan	–	–	22
Loan notes	–	50	50
Hire purchase leases	22	23	12
Between 2-5 years			
Term loan	–	–	68
Loan notes	–	100	50
Hire purchase leases	22	12	–
	<u>44</u>	<u>410</u>	<u>267</u>

Interest is charged on the bank overdraft at 2.5 per cent. above Royal Bank of Scotland base rate.

The bank loan is charged interest at a rate of Royal Bank of Scotland base rate plus 2 per cent.

Interest charged on loan notes is at the Bank of Scotland base rate plus 2 per cent.

(m) Share Capital

	2003 £'000	2004 £'000	2005 £'000		
Eclectic Holdings Limited					
Authorised:					
Class	Number	Nominal Value			
'A' Ordinary Shares	500,000	£0.01	1	5	5
Ordinary Shares	500,000	£0.01	–	5	5
			<u>1</u>	<u>10</u>	<u>10</u>
Allotted, issued and fully paid:					
Class	Number	Nominal Value			
'A' Ordinary Shares	500,000	£0.01	1	5	5
Ordinary Shares	330,000	£0.01	–	3	3
			<u>1</u>	<u>8</u>	<u>8</u>
	2003 £'000	2004 £'000	2005 £'000		
Eclectic Group Limited					
Authorised, allotted, issued and fully paid:					
Class	Number	Nominal Value			
Ordinary Shares	100,000	£0.01	1	1	1
			<u>1</u>	<u>1</u>	<u>1</u>

Changes in authorised share capital

On 30 July 2004, the share capital of Eclectic Group Limited was exchanged for share capital in Eclectic Holdings Limited in a share for share exchange whereby the shareholders of Eclectic Group Limited exchanged their shares for shares in Eclectic Holdings Limited, and Eclectic Holdings Limited acquired 100 per cent. of the share capital of Eclectic Group Limited.

Eclectic Holdings Limited bought the shares of one shareholder of Eclectic Group Limited in exchange for loan notes. These loan notes are being repaid in 6 monthly instalments over a period of three years. The value of the purchase was £190,000 and at 31 July 2005 £100,000 (2004: £150,000) was outstanding.

Share options

The company has established a share based plan for employees. On 25 October 2005 the company granted EMI options to purchase 96,000 ordinary shares. These options have been granted at £0.20 per share and are exercisable on change of ownership or during the period of ten years after grant.

Rights attached to shares

Each share entitles the shareholder to a vote at shareholders' meetings and the right to dividends when declared.

(n) Share premium account and reserves

	<i>Share premium account £'000</i>	<i>Profit and Loss account £'000</i>
Eclectic Holdings Limited		
Consolidated		
At 1 August 2003	–	–
Retained loss for the year to 31 July 2004	–	58
Premium on issue of shares	919	–
	<hr/>	<hr/>
At 31 July 2004	919	58
Retained profit for the year	–	(136)
	<hr/>	<hr/>
At 31 July 2005	<u>919</u>	<u>78</u>
Eclectic Holdings Limited		
At 1 August 2003	–	–
Retained loss for the year to 31 July 2004	–	(12)
Premium on issue of shares	919	–
	<hr/>	<hr/>
At 31 July 2004	919	(12)
Retained profit for the year	–	36
	<hr/>	<hr/>
At 31 July 2005	<u>919</u>	<u>24</u>
Eclectic Group Limited		
At 1 August 2002	100	111
Retained loss for the year to 31 July 2003	–	(72)
	<hr/>	<hr/>
At 31 July 2004	100	39
Retained profit for the year to 31 July 2004	–	31
	<hr/>	<hr/>
At 31 July 2004	100	70
Retained loss for the year to 31 July 2005	–	(70)
	<hr/>	<hr/>
At 31 July 2005	<u>100</u>	<u>–</u>

(o) Reconciliation of movements in shareholders funds

	2003 £'000	2004 £'000	2005 £'000
Retained profit for the financial year	(72)	19	(34)
Issue of new share capital	–	7	–
Share premium on issue of new shares	–	919	–
Elimination of share premium on acquisition	–	(100)	–
Opening shareholders' funds	212	140	985
	<u>140</u>	<u>985</u>	<u>951</u>
Closing shareholders' funds	<u>140</u>	<u>985</u>	<u>951</u>

(p) Net cash flow from operating activities

	2003 £'000	2004 £'000	2005 £'000
Operating profit/(loss)	(93)	33	(76)
Depreciation	43	36	40
Amortisation	–	–	102
Movements in working capital:			
(Increase)/Decrease in debtors	186	(224)	(241)
(Increase)/Decrease in Stock	1	5	(5)
Increase/(Decrease) in creditors	(142)	235	133
Net (out)flow from operating activities	<u>(5)</u>	<u>85</u>	<u>(47)</u>

(q) Reconciliation of net cash flow to movement in net debt

	2003 £'000	2004 £'000	2005 £'000
(Decrease)/increase in cash in the year	(36)	(8)	(123)
Cash (inflow)/outflow from loans	–	(40)	40
Cash outflow from hire purchase	17	27	22
Inception of finance leases	(33)	(16)	–
Inception of loan	–	(190)	–
Movement in net debt	<u>(52)</u>	<u>(227)</u>	<u>(61)</u>
Opening net debt	<u>74</u>	<u>22</u>	<u>(205)</u>
Closing net debt	<u>22</u>	<u>(205)</u>	<u>(266)</u>

(r) Analysis of changes in net debt

	At 31 July 2002 £'000	Cash flow £'000	Non- cash items £'000	At 31 July 2003 £'000	Cash flow £'000	Non- cash items £'000	At 31 July 2004 £'000	Cash flow £'000	Non- cash items £'000	At 31 July 2005 £'000
Cash in hand and at bank	102	(36)	–	66	(8)	–	58	(123)	–	(65)
Debt	–	–	–	–	40	(190)	(150)	(40)	–	(190)
Finance lease	(28)	17	(33)	(44)	27	(16)	(33)	22	–	(11)
Net funds	<u>74</u>	<u>(19)</u>	<u>(33)</u>	<u>22</u>	<u>59</u>	<u>(206)</u>	<u>(125)</u>	<u>(141)</u>	<u>–</u>	<u>(266)</u>

(s) Leasing commitments

	<i>2003</i> <i>Land &</i> <i>Buildings</i> <i>£'000</i>	<i>2004</i> <i>Land &</i> <i>Buildings</i> <i>£'000</i>	<i>2005</i> <i>Land &</i> <i>Buildings</i> <i>£'000</i>
Operating leases which expire:			
Within 1 year	–	–	–
Within 2 to 5 years	–	–	–
Outwith 5 years	345	301	348
	<u>345</u>	<u>301</u>	<u>348</u>

(t) Financial instruments

The group finances its operations through equity and bank borrowings. Since July 2004 the group has been financed by a loan from a past shareholder. No speculative treasury transactions are undertaken and during the last three years no derivative contracts were entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, investments and borrowings. Short term debtors and creditors have been excluded from the following disclosures.

	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Financial assets			
The group's financial assets and their maturity profile are:			
Cash at bank and in hand	66	283	1
Maturing			
One year or less on demand	66	283	1
Financial liabilities			
The group's financial liabilities and their maturity profile are:			
Bank overdraft	–	225	65
Bank loan	–	–	90
Loan from past shareholder	–	150	100
Hire purchase	44	35	12
Maturing			
One year or less on demand	22	298	149
After more than one year	22	112	118

Fair values

Fair values of financial instruments equate to the book value as disclosed in the financial information.

There are no material variances between the fair value of financial instruments and the amount at which they are stated in the accounts.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The group policy throughout the year has been to ensure continuity of funding by available bank facilities.

Interest rate risk

The group has a committed overdraft facility of £320,000 which falls due for renewal in January 2007.

(u) Capital commitments

Amounts contracted for but not provided for in the financial statements amount to £6,790 (2004: nil; 2003: nil).

(v) Related party transactions

During the year the Eclectic Group Limited paid consultancy fees of £71,314 (2004: £70,308; 2003: £32,000) to Colinhill Consultancy, a business operated by George Knox, a director of the Eclectic Group Limited and Eclectic Holdings Limited. At 31 July 2005 £2,625 (2004: nil; 2003: nil) was due to Eclectic Group Limited.

(w) Pensions

The group offers its employees a defined contribution pension scheme, which is operated by Scottish Equitable and advised upon by WM Consulting.

PART V
ADDITIONAL INFORMATION

1 RESPONSIBILITY STATEMENT

1.1 The Company and the Directors, whose names and addresses appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (having taken all reasonable care to ensure such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 THE COMPANY

2.1 The Company is registered in England and Wales, having been incorporated in England and Wales on 14 October 2004 under the Act under the name Glen Group plc with company registration number 5259846 as a public limited company.

2.2 The principal legislation under which the Company operates is the Act.

2.3 The registered office of the Company is at 8-10 New Fetter Lane, London EC4A 1RS and the telephone number 020 7203 5000.

2.4 The liability of the members of the Company is limited.

2.5 The Company received a Certificate of Entitlement to do business and borrow under Section 117(1) of the Act on 15 November 2004.

3 SUBSIDIARIES

3.1 The Company is the holding company of the Group. The Company has the following wholly-owned subsidiaries at the date of this document:

<i>Company</i>	<i>Activities</i>	<i>Date incorporated</i>	<i>Country of Incorporation</i>	<i>Shareholders</i>
Glen Communications Limited (number SC102302)	Provider of integrated IT and telecoms services	12 December 1986	Scotland	Glen Group plc (100%)
Glen Project Management Limited (number SC275104)	Non-trading	25 October 2004	Scotland	Glen Group plc (100%)
Soluis IT Limited (number SC234956)	Non-trading	5 August 2002	Scotland	Glen Communications Limited (100%)

3.2 Immediately following Admission, the Company will also have the following wholly-owned subsidiaries:

<i>Company</i>	<i>Activities</i>	<i>Date incorporated</i>	<i>Country of Incorporation</i>	<i>Shareholders</i>
Eclectic Holdings Limited (number SC261599)	Former holding company	8 January 2004	Scotland	Glen Group plc (100%)
Eclectic Group Limited (number SC208457)	Provider of IT and business consultancy services	23 June 2000	Scotland	Glen Group plc ¹ (100%)
Eclectic Learning Services Limited (number SC209005)	Non-trading	11 July 2000	Scotland	Eclectic Group Limited (100%)
Eclectic Resourcing Limited (number SC208460)	Non-trading	23 June 2000	Scotland	Eclectic Group Limited (100%)

¹ Assuming completion of a hive up immediately following Admission. Following Admission but prior to the completion of the hive up, the Shareholder will be Eclectic Holdings Limited (100%).

4 SHARE CAPITAL

4.1 At the date of incorporation the Company had an authorised share capital of £650,000 divided into 65,000,000 ordinary shares of £0.01 of which 2 were issued.

On 15 November 2004, 24,999,998 Ordinary Shares were issued pursuant to the share for share exchange agreement, further details of which are set out in paragraph 12.1(c) of this Part V below to the holders of shares in Glen Communications.

On 1 December 2004, 25,000,000 Ordinary Shares were issued to placees procured by Seymour Pierce Ellis pursuant to the previous Placing Agreement, further details of which are set out in paragraph 12.1(f) of this Part V below.

On 20 June 2005, 10,000,000 Ordinary Shares were issued pursuant to a subscription at a subscription price of 3.0 pence per share.

On 24 October 2005, 10,000,000 Ordinary Shares were issued pursuant to a subscription at a subscription price of 2.5 pence per share.

4.2 The authorised and issued share capital of the Company as at the date of this document and immediately following Admission is as follows:

	<i>Authorised</i>		<i>Issued and credited as fully paid</i>	
	<i>£</i>	<i>Number of Ordinary Shares</i>	<i>£</i>	<i>Number of Ordinary Shares</i>
At the date of this document	800,000	80,000,000	700,000	70,000,000
Immediately following Admission	6,000,000	600,000,000	3,276,830.77	327,683,077

4.3 At an Extraordinary General Meeting of the Company held on 24 November 2004 by the passing of an ordinary resolution and a special resolution respectively:

4.3.1 the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) provided that:

- (a) the authority was given in substitution for any equivalent authority which may have been given to the Directors prior to the date of the passing of the resolution;
 - (b) the authority shall be limited to the allotment of relevant securities up to an aggregate nominal value of £800,000; and
 - (c) unless previously revoked, varied or extended, the authority shall expire on the date of the first Annual General Meeting of the Company or the date falling 15 months after the date of the passing of the resolution, whichever is the earlier, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired.
- 4.3.2 the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to such allotment provided that:
- (a) the allotment is of equity securities up to an aggregate nominal amount of £800,000; and
 - (b) unless previously revoked, varied or extended, this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 15 months after the date of the passing of the resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuant of such offer or agreement as if this power had not expired.
- 4.4 At the Extraordinary General Meeting of the Company to be held on 13 February 2006 by the passing of a special resolution:
- 4.4.1 the Directors will be generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) provided that:
- (a) the authority shall be given in substitution for any equivalent authority which may have been given to the Directors prior to the date of the passing of the resolution;
 - (b) the authority shall be limited to the allotment of relevant securities up to an aggregate nominal value of £5,300,000; and
 - (c) unless previously revoked, varied or extended, the authority shall expire on the date of the Annual General Meeting of the Company in 2007 or the date falling 15 months after the date of the passing of the resolution, whichever is the earlier, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired.
- 4.4.2 the Directors will be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to such allotment provided that:
- (a) the allotment is of equity securities pursuant to the Acquisition;
 - (b) the allotment is of equity securities pursuant to the Placing;
 - (c) the allotment is of equity securities up to an aggregate nominal amount of £1,935,669.23; and
 - (d) unless previously revoked, varied or extended, this power shall expire on the earlier of the conclusion of the Annual General Meeting of the Company in 2007 and the date falling 15 months after the date of the passing of the resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuant of such offer or agreement as if this power had not expired.

- 4.5 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 4.3 and 4.4 above.
- 4.6 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in place whereby future dividends are waived or agreed to be waived.
- 4.7 Application will be made for the New Ordinary Shares to be admitted to trading on AIM and the issued Ordinary Shares to be readmitted to trading on AIM.

5 SHARE OPTION AGREEMENTS

- 5.1 An unapproved share option has been granted to Eric M Hagman over 666,667 Ordinary Shares pursuant to an agreement dated 24 November 2004. The principal terms of the unapproved option are summarised below:

5.1.1 Rights attaching to shares

Until the unapproved options are exercised, Mr Hagman shall have no voting or other rights in respect of the Ordinary Shares covered by his options. Ordinary Shares issued pursuant to the unapproved option shall rank *pari passu* in all respects with the Ordinary Shares already in issue. In the event of a variation in the Company's ordinary share capital by way of capitalisation, rights issue or any sub-division, reduction or consolidation of capital or otherwise, the option may be adjusted in respect of the number of Ordinary Shares comprised in options and the exercise price in such manner as the Board consider to be fair and reasonable subject (except in the case of a capitalisation) to the approval of the Company's auditors.

5.1.2 Exercise price

The exercise price of each of the unapproved options is £0.03.

5.1.3 Exercise of options

The unapproved options may be exercised at any time between 1 December 2005 and 1 December 2014 provided that Mr Hagman has not left the Company. Where Mr Hagman has left the Company, the Board may, in its absolute discretion, allow the option to be exercised on terms agreed by the Board. In the event that Mr Hagman dies, his personal representatives may exercise the option within a period of 12 months of his death, failing which it shall lapse.

In the event that the Company is the subject of a successful takeover bid, a reconstruction or a successful merger with another corporate entity, the option becomes exercisable on completion of such transaction to the extent that they are not already exercised. Alternatively, Mr Hagman may be given the right to exchange the unapproved option in the Company for options on similar terms in any new acquiring company.

5.1.4 Trading on AIM

The Company is subject to an obligation to admit any Ordinary Shares allotted to Mr Hagman pursuant to the exercise of the unapproved option to trading on AIM. The option is personal to Mr Hagman and is not tradable and cannot be quoted or dealt with on any exchange.

5.2 Company EMI Scheme

5.2.1 Introduction

The Company proposed to adopt the Company EMI Scheme immediately following Admission. The terms of the proposed Company EMI Scheme are summarised below.

5.2.2 Administration, Eligibility and Relevant Legislation

The Company EMI Scheme will be administered by the Board and subject to the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA").

5.2.3 Individual Limit

An eligible employee cannot be granted options over Ordinary Shares in the Company EMI Scheme worth more than £100,000 at the date of the grant of the options and for the purposes of this limit any outstanding EMI Options must be included within the £100,000 limit but options that have lapsed are disregarded provided certain conditions are met. Any options granted in excess of £100,000 limit are treated by HMRC as unapproved options which do not entitle the optionholder to the beneficial tax treatment available under the Company EMI Scheme.

5.2.4 Grant of Options

Options may be granted to eligible employees of the Company or any of its subsidiaries (defined as a Qualifying Subsidiary in paragraph 11 of Schedule 5 of ITEPA) subject to satisfying certain criteria set out in the rules of the Company EMI Scheme.

5.2.5 Exercise Price

The exercise price cannot be less than either the nominal value of an Ordinary Share or the market value of the Ordinary Shares on the date of grant. The market value must be agreed with Shares Valuation, HMRC. The price or the method by which the price is determined should be stated in the agreement which will be entered into between the eligible employee and the Company pursuant to which the options are granted.

5.2.6 Exercise of Options

- (a) In normal circumstances, an option will only be exercisable by an individual who remains in employment with the Company or a Qualifying Subsidiary and may only be exercised before the tenth anniversary of the date of option grant. Early exercise will only be permitted under the Company EMI Scheme if an individual dies or leaves on account of ill-health, injury or disability, or, if the Directors decide, in other exceptional circumstances.
- (b) Options can be granted such that their exercise is subject to performance conditions being satisfied.
- (c) In the event of a takeover, change of control, compromise or scheme of arrangement, options may be exercised within the relevant periods as stated in the Scheme Rules subject to any applicable conditions. Options not exercised within the relevant periods shall lapse. Alternatively, with the concurrence of the acquiring company, optionholders may exchange their options under the Company EMI Scheme (within the relevant time limits) for options to acquire shares in the acquiring company or its parent company.
- (d) If a resolution is proposed for the voluntary winding-up of the Company, options may be exercised on the passing of such resolution and to the extent the option is not so exercised it shall lapse.

5.2.7 Overall Limits

Options may not be granted over more than 10 per cent. of the Company's issued ordinary share capital from time to time under any employee share scheme established by the Company or any of its subsidiaries. There is a separate limit that the aggregate value of the total number of shares comprised in EMI Options granted under the Company EMI Scheme must not exceed the statutory limit of £3 million.

5.2.8 Voting, Dividend, Transfer and Other Rights

- (a) Ordinary Shares issued and allotted under the Company EMI Scheme following the exercise of an option will rank *pari passu* in all respects with the shares of the same class of the Company in issue at the relevant date.
- (b) An option is personal to the option holder and any purported assignment, transfer or other purported disposal will cause the option to lapse.

5.2.9 Tax

Where the exercise of options granted under the Company EMI Scheme gives rise to a tax liability (excluding secondary national insurance contributions) in respect of which the Company (or a group member) is obliged to account for, the Company may make deductions from payments due to the option holder to meet such liability.

If the deductions from such payments are insufficient, the option holder must pay the Company (or group member) the balance of the liability before Ordinary Shares are allotted or transferred to him.

Alternatively, the Board may sell as many of the option holder's Ordinary Shares as are necessary to cover the liability.

5.2.10 Amendments

Certain amendments (as defined in the rules of the Company EMI Scheme) to the Company EMI Scheme may only be made with the prior approval of Shareholders in general meeting save for any alterations to benefit the administration of the Company EMI Scheme, to take account of or comply with legislation, or to obtain or maintain favourable tax or regulatory treatment. No amendment must be made that would detrimentally affect the option holder as regards a subsisting option without that option holder's consent.

5.2.11 Variation of Capital

In the event of a capitalisation, rights issue, consolidation, subdivision, reduction or other variation of the share capital of the Company, the Board may make such adjustments as it considers appropriate, and the auditors of the Company may confirm in writing as being fair and reasonable, to the number of Ordinary Shares subject to options and the price payable on exercise of options and, where an option has been exercised but no Ordinary Shares allotted or transferred in satisfaction of the exercise, to the number of Ordinary Shares to be allotted or transferred and to the exercise price payable in respect of such Ordinary Shares.

5.2.12 Termination

The Company in general meeting or the Board may resolve to terminate the Company EMI Scheme. In any event, the Company EMI Scheme shall terminate 10 years from the date of adoption.

5.2.13 Employment

The Company EMI Scheme does not form part of any contract of employment between the Company and any employee.

5.3 Save as stated above, there are no share options or share option plans relating to the Company.

5.4 Save as disclosed in paragraphs 4 and 5 above and 8.6 and 11 below:

- (a) no share or loan capital of the Company has been issued or is proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- (b) no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option; and
- (c) no commission, discounts, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.

6 MEMORANDUM AND ARTICLES OF ASSOCIATION

6.1 Memorandum of Association

The Memorandum of Association of the Company provide that the Company's principal objects, are to act as a general commercial company and, without limiting the foregoing, act as a holding company for a group of companies providing integrated IT and telecoms services. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association.

6.2 **ARTICLES OF ASSOCIATION**

6.2.1 **Rights attaching to Ordinary Shares**

The following is a description of the rights attaching to the Ordinary Shares based on the Company's Articles of Association (the "Articles") and English law. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

6.2.2 **Voting**

Subject to disenfranchisement in the event of:

- (a) non-payment of calls or other monies due and payable in respect of Ordinary Share; or
- (b) non-compliance with a statutory notice requiring disclosure as to beneficial ownership of Ordinary Shares,

and, without prejudice to any special rights previously conferred and subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every shareholder who is present in person at a general meeting of the Company shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every Ordinary Share held.

6.2.3 **Notice of General Meetings**

(a) **General Meetings**

- (i) The Directors can convene an extraordinary general meeting, whenever they think fit or, on the requisition of members in accordance with the Statutes.
- (ii) The Company shall in each year hold an annual general meeting in addition to any other meetings in that year, and not more than 15 months will elapse between the date of one annual general meeting of the Company and that of the next.
- (iii) An annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than 21 clear days' written notice, and a meeting of the Company other than an annual general meeting or a meeting for a passing of a special resolution shall be called by not less than 14 clear days' written notice. The notice must specify the place, the day and the time of meeting and, in the case of any special business, the general nature of that business.
- (iv) A meeting of the Company shall be deemed to have been duly called if it is so agreed, in the case of an annual general meeting by all the Shareholders entitled to attend and vote thereat; and, in the case of any other meeting, by a majority in number of the Shareholders having a right to attend and vote at the meeting, being a majority together holding less than 95 per cent in nominal value of the Shares giving that right.
- (v) No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting pursues to the business. Save as provided for in the articles, two Shareholders present in person or by proxy and entitled to vote shall be a quorum.
- (vi) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded:
 - (A) by the chairman of the meeting; or
 - (B) by at least three Shareholders present in person or by proxy and entitled to vote at the meeting; or
 - (C) by any Shareholder or Shareholders present in person or by proxy and representing not less than one tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or at least five Shareholders present in person or by proxy and entitled to vote at the meeting; or
 - (D) by a Shareholder or Shareholders present in person or by proxy holding shares in the Company conferring a right to vote at the meeting being shares on which an

aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right.

- (vii) Subject to any rights or restrictions for the time being attached to any class or classes of shares and to any other provisions of the Articles, on a show of hands every Shareholder present in person shall have one vote, and on a poll every Shareholder present in person or by proxy shall have one vote for each share of which he is the holder. The chairman has a casting vote in the case of equality of votes.
- (viii) On a poll votes may be given personally or by proxy and a Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
- (ix) The instrument appointing a proxy shall be in writing in any usual common form, or any other form which the Directors may approve, under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. Signature on such instrument need not be witnessed.
- (x) An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting to which it relates.

6.2.4 Dividends

Subject to the Statutes (as defined in the Articles), the Company at a general meeting may declare dividends to be paid to shareholders according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Except insofar as the rights attaching to, or the terms of issue of, any Ordinary Share otherwise provide, all dividends shall be declared according to the amounts paid-up or credited as paid-up on the shares and apportioned and paid pro rata according to the amounts paid-up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

6.2.5 Distribution of assets on liquidation

On a winding-up, the liquidator may, with the sanction of an extraordinary resolution of the Company and subject to and in accordance with the Statutes, divide among the shareholders in specie or kind the whole or any part of the assets of the Company, subject to the rights of any shares which may be issued with special rights or privileges.

6.2.6 Transferability of Ordinary Shares

All transfers of Ordinary Shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Board. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. All transfers of Ordinary Shares which are in uncertificated form may be effected by means of a relevant system (as defined in the Articles).

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefore refuse to register any transfer of shares (not being fully-paid shares), provided that any such refusal does not prevent dealings in partly-paid shares from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer of shares (whether fully-paid or not) in favour of more than four persons jointly or made to or by an infant or patient within the meaning of the Mental Health Act 1983.

The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless the instrument of transfer is duly stamped, is in respect of only one class of share and is lodged at the Transfer Office (as defined in the Articles) accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

6.2.7 Variation of rights

Subject to the Statutes, the special rights attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound-up) be altered or abrogated with the written consent of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the issued shares of that class at which a quorum of two or more persons holding or representing by proxy not less than one-third of the issued shares of that class (or in the case of an adjourned meeting such quorum as is specified by the Articles) is present. The special rights conferred upon the holders of any shares or class of share shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith or the purchase by the Company of any of its own shares.

6.2.8 Changes in capital

Subject to the provisions of the Statutes and to any special rights conferred on the holders of any shares or class of shares, the Company may issue redeemable shares.

Subject to the provisions of the Statutes and to any special rights previously conferred on the holders of any existing shares, any share may be issued with such special rights or such restrictions as the Company may determine by ordinary resolution. The Company may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount, sub-divide its share capital into shares of a smaller amount (subject to the provisions of the Statutes) and cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

Subject to the provisions of the Statutes, the Company may reduce share capital, any capital redemption reserve and any share premium account in any manner. The Company may also, subject to the requirements of the Statutes, purchase its own shares.

6.2.9 Untraced Shareholders

Subject to the Statutes, the Company may sell any shares of a member or person entitled thereto who is untraceable, if during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to such member or person in respect of his shares have remained uncashed or mandated dividend payments have failed and the Company has received no indication of the existence of such member or person. The net proceeds of sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company in respect of those proceeds.

If on two consecutive occasions notices or other communications (including dividend payments) have been sent through the post to any holder of shares to his registered or other specified address but returned undelivered or mandated dividend payments have failed, or following one such occasion and enquiries by the Company fail to establish a new address or account, the Company may cease to send such notices or other such communications or mandated payments until the person entitled thereto otherwise requires.

6.2.10 Non-UK Shareholders

There are no limitations in the Memorandum or Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company (whether electronically or otherwise), including notices of general meetings, unless he has given an address in the UK to the Company to which such notices may be sent.

6.2.11 Sanctions on Shareholders

A holder of Ordinary Shares loses his rights to vote in respect of Ordinary Shares if and for so long as he or any other person appearing to be interested in those shares fails to comply with a request by the Company under the Act requiring him to give particulars of any interest in those Ordinary Shares within 14 days. In the case of shareholdings representing 0.25 per cent. or more, in nominal amount, of the share capital of the company then in issue, or any class thereof, the sanctions which may be applied by the Company include not only disenfranchisement but also the withholding of the right to receive payment of dividends and other monies payable on, and restrictions on transfers of, the Ordinary Shares concerned.

6.2.12 Directors' Fees

The Directors (other than those holding executive office with the Company or any subsidiary of the Company) shall be paid by way of fees for their services at such rate and in such proportion as the Board may resolve, a sum not exceeding an aggregate of £75,000 per annum or such larger amount as the Company may by ordinary resolution determine or, in the case of such Directors who are resident outside the UK, such extra remuneration as the Board may determine. Any Director who holds executive office or who performs duties outside the ordinary duties of a Director, may be paid such remuneration or extra remuneration by way of salary, commission or otherwise as the Board may determine.

The Directors shall also be paid all expenses properly incurred by them in attending meetings of the Company or of the Board or otherwise in connection with the business of the Company.

6.2.13 Directors' Interests

A Director who is in any way, whether directly or indirectly, interested in any contract or proposed contract with the Company shall declare the nature of his interest in accordance with the Statutes. A Director shall not vote, and shall not be counted in a quorum, in respect of any contract, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of shares or debentures or other securities of or otherwise through the Company), except that this prohibition shall not apply to:

- (a) The giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) The giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) Any contract or arrangement by a Director to participate in the underwriting or sub-underwriting of any offer of shares, debentures or other securities of the Company or any of its subsidiaries for subscription, purchase or exchange;
- (d) Any contract or arrangement concerning any other company in which the Director and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 of the Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company. For the purpose of this paragraph, there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder;
- (e) Any arrangement for the benefit of employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (f) Any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of inter alia any Directors of the Company, and the

Company may in general meeting at any time suspend or relax any such prohibitions or ratify any transaction not duly authorised by reason of a contravention of a prohibition.

6.2.14 Directors' Interests in Transactions

Subject to the provisions of the Statutes, and provided that he had disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested, may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested and shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. Any Director may act by himself or by his firm in any professional capacity (other than auditor) and he or his firm shall be entitled to remuneration as if he were not a Director.

6.2.15 Retirement Age

The provisions of Section 293 of the Act as to the retirement of Directors on reaching 70 apply to the Company.

6.2.16 Qualification Shares

The Directors are not required to hold qualification shares.

6.2.17 Retirement

At each annual general meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire shall retire by rotation at every third Annual General Meeting after his last appointment or re-appointment. A retiring Director shall be eligible for re-election. The Company may from time to time by ordinary resolution appoint any person to be a Director. The Directors may also from time to time appoint one or more Directors but any Director so appointed shall retire at or at the end of the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

6.2.18 Executive Office

The Board may from time to time appoint one or more Directors to be the holder of any executive office for such period and on such terms as it decides.

7 BORROWING POWERS

The Articles provide that the aggregate principal amount from time to time remaining undischarged of all moneys borrowed by the Company (exclusive of intra-group borrowings) shall not, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £1.5 million and an amount equal to four times the aggregate of the issued share capital and reserves of the Company adjusted in the manner set out in the Articles. As set out in the Resolutions, it is proposed that the limit referred to above be increased to the greater of £5 million and an amount equal to four times the aggregate of the issued share capital and reserves of the Company adjusted in the manner set out in the Articles.

8 DIRECTORS' AND OTHER INTERESTS

8.1 Directors' Interests

The interests (all of which are beneficial unless stated otherwise) of the Directors and their immediate families and the persons connected with them (within the meaning of Section 346 of the Act) which have been notified to the Company pursuant to Sections 324 and 328 of the Act or are required to

be disclosed in the Register of Directors' interests pursuant to Section 325 of the Act in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document and following the Placing and Acquisition are as follows:

<i>Name</i>	<i>At the date of this document</i>		
	<i>No. of Ordinary Shares</i>	<i>Per cent. of Issued Share Capital</i>	<i>No. of Ordinary Shares over which Options granted</i>
Eric Martin Hagman	Nil	Nil	666,667
Graham John Duncan ⁽¹⁾	12,039,208	17.20	Nil
Peter James Ford	9,232,369	13.19	Nil

(1) Of the 12,039,208 Ordinary Shares in which Mr Duncan is interested, 4,422,324 Ordinary Shares are registered in the name of Margaret Duncan, Mr Duncan's wife and 4,682,967 Ordinary Shares are registered in the name of Duncan Ventures Limited, an entity in which Mr and Mrs Duncan are interested.

<i>Name</i>	<i>Immediately following Admission</i>		
	<i>No. of Ordinary Shares</i>	<i>Per cent. of Enlarged Share Capital</i>	<i>No. of Ordinary Shares over which Options granted</i>
Eric Martin Hagman	2,000,000	0.61	666,667
Graham John Duncan ⁽¹⁾⁽²⁾	21,039,208	6.42	Nil ⁽²⁾
Peter James Ford ⁽³⁾	18,232,369	5.56	Nil

(1) Of the 21,039,208 Ordinary Shares in which Mr Duncan is interested, 4,422,324 Ordinary Shares are registered in the name of Margaret Duncan, Mr Duncan's wife, 5,182,967 Ordinary Shares are registered in the name of Duncan Ventures Limited, an entity in which Mr and Mrs Duncan are interested, 8,000,000 will be in the name of Mr Duncan's pension fund, a Standard Life money purchase personal pension and 3,433,917 by Mr Duncan.

(2) In addition it is intended that Mr Duncan will be granted the options referred to in paragraph 8.6.1 below.

(3) Of the 18,232,369 Ordinary Shares in which Mr Ford is interested, 3,000,000 will be in the name of Mr Ford's pension fund, Scottish Widows Property Fund, a money purchase personal pension.

- 8.2 Save as disclosed above, none of the Directors (or persons connected with the Directors within the meaning of Section 346 of the Act) has any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company.
- 8.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 8.4 Save as disclosed in this document no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or un-performed.
- 8.5 None of the Directors or any person connected with them (within the meaning of section 346 of the Act) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet).

8.6 *Directors' service agreements and letters of appointment*

The terms of the Directors' service contracts or letters of appointment are as follows:

8.6.1 Pursuant to an agreement dated 24 November 2004 and as amended on 19 January 2006 between the Company and Graham John Duncan, Mr Duncan agreed to serve the Company as Chief Executive with effect from 1 December 2004. The agreement is terminable by either party at any time on one year's written notice. Effective from 1 December 2004 the basic annual salary payable to Mr Duncan was £90,000. He also receives a pension contribution of 12.5 per cent. of basic salary and other benefits (medical expenses insurance; "death in service" insurance cover; motor car allowance; and permanent health insurance) and is entitled to a bonus of up to 100 per cent. of basic salary. The bonus is performance related according

to criteria determined from time to time by the remuneration committee of the Board of the Company.

The Board intends that, subject to the passing of the Resolutions, Mr Duncan will be awarded share options over 10,000,000 Ordinary Shares at the Placing Price exercisable after 15 February 2009, partly at the discretion of the Board and partly in accordance with performance criteria to be determined by the remuneration committee of the Board.

8.6.2 Pursuant to a letter of appointment dated 24 November 2004 by the Company in favour of Peter James Ford, Mr Ford agreed to serve the Company as a non-executive director with effect from 1 December 2004. The appointment was for an initial term of 12 months, and is now terminable by either party at any time on three months' written notice. The current annual director's fee payable to Mr Ford is £15,000.

8.6.3 Pursuant to a letter of appointment dated 24 November 2004 by the Company in favour of Eric Martin Hagman, Mr Hagman agreed to serve the Company as non-executive chairman with effect from 1 November 2004. The appointment was for an initial term of 12 months and is now terminable by either party at any time on three months written notice. The current annual director's fee payable to Mr Hagman is £20,000.

Save as disclosed in paragraph 8.6 above, there are no service contracts, existing or proposed, between any Director and any member of the Group.

8.7 The aggregate remuneration, including benefits in kind, of the Directors paid by the Company for the 12 month period ended on 30 September 2005 amounted to £134,812. It is estimated that under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors by the Company for the year ending on 30 September 2006 will be approximately £149,647.

8.8 There are no provisions in the directors service contracts with the Group providing for specific benefits arising on termination.

8.9 **Additional Information on the Directors**

8.9.1 In addition to the directorships in the Group the Directors hold or have held the following directorships or partnerships within the five years immediately prior to the date of this document:

<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Eric Martin Hagman ¹	British Polythene Industries PLC Celtic PLC Scottish American Investment Company PLC	Andersen Consulting Limited Arthur Andersen & Co Arthur Andersen Services Arthur Andersen Services ¹ BH Administration Services Binder Hamlyn Nominees Limited Binder Hamlyn Services Limited Binder Hamlyn Trustee Company Limited National Housing Federation Investments Limited Precis (1286) Limited Precis (1287) Limited Scottish Enterprise Scottish Rugby Union PLC SG Archibald Limited
Graham John Duncan	Aberdeen Cable Services Ltd ² ATG Holdings Ltd ² Atlantic Telecom Group PLC ² Atlantic Telecom Holdings Ltd ² Atlantic Telecommunications Ltd ² Cerbernet Ltd ²	1st Telecom Ltd Atlantic Broadcasting Ltd Atlantic Cable Ltd Atlantic Cablecom Ltd Atlantic Logical Ltd Atlantic Mobile Communications Ltd

<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Graham John Duncan (continued)	Collie Communications Ltd ² Devanha Group PLC ² Duncan Group Ltd Duncan Project Management Ltd Duncan Ventures Ltd First Telecom Group PLC ² First Telecom PLC ² Logicall Telecommunications Ltd ² Optica Investments Ltd	Atlantic Networks Ltd Atlantic Online Ltd Atlantic Technologies Ltd Atlantic-e.com Ltd Cable Television Projects Ltd CFW Securities Ltd Faststill Ltd First Telecom Direct Ltd First Telecom International Ltd Furst Telecom Ltd Framlington NetNet Inc PLC Host Europe plc Hull Cablevision Ltd Lo Telecommunications Ltd Logicall Ltd Media Zeros PLC ³ Multi-Channel Television Ltd Omniphone Ltd Telecom Atlantic Ltd The Media and Income Trust PLC ³
Peter James Ford	None	Paragon Products (UK) Ltd Zentel Telecom Group PLC Thomas James Developments Ltd

- (1) Eric Martin Hagman is a board member of the Royal College of Art in London and is a former member of the Council of CBI Scotland and of the Boards of Scottish Enterprise and Scottish Financial Enterprise.
- (2) Graham John Duncan has been a director of Atlantic Telecom Group PLC since 10 January 1995. Joint interim managers were appointed on 5 October 2001 and Administrators of Atlantic Telecom Group PLC were appointed on 12 October 2001. Atlantic Telecom Group PLC was then placed into compulsory liquidation and a Liquidator was appointed on 2 April 2002. Pursuant to the joint Administrators proposals dated 30 November 2001 the deficiency to creditors of Atlantic Telecom Group plc was estimated to be £364,449,000 which includes an estimated £208,253,000 due to the noteholders of Atlantic Telecom Group PLC (the "Noteholders").

Mr Duncan was also a director of the following subsidiaries of Atlantic Telecom Group PLC that have also been placed in liquidation and/or administration:

- (a) Mr Duncan has been a director of Aberdeen Cable Services Ltd since 13 September 1990, which has been placed in creditors' voluntary liquidation and a Liquidator was appointed on 5 October 2001. No statement of affairs has been filed at Companies House by the Liquidator and, accordingly, the estimated deficiency to creditors is not known;
- (b) Mr Duncan has been a director of ATG Holdings Ltd since 18 February 1998 which has been placed in compulsory liquidation and a Liquidator was appointed on 30 April 2002. According to the final joint Liquidators report to the final meeting of creditors the ordinary creditors of ATG Holdings Ltd on claims admitted to rank for dividend received dividends being equivalent to approximately 0.92p in the £.
- (c) Mr Duncan has been a director of Atlantic Telecom Holdings Ltd since 3 July 1998 which has been placed in compulsory liquidation and a Liquidator was appointed on 30 April 2002. No statement of affairs has been filed at Companies House by the Liquidator and, accordingly, the estimated deficiency to creditors is not known;

- (d) Mr Duncan has been a director of Atlantic Telecommunications Ltd since 29 March 1995. An Administrator was appointed for Atlantic Telecommunications Ltd on 5 October 2001, Atlantic Telecommunications Limited has now been placed in creditors' voluntary liquidation and a Liquidator was appointed on 19 December 2002. Pursuant to the statement of affairs dated 19 December 2002, the deficiency to creditors was estimated to be £674,970,673, which includes an estimated £220,953,086 due to the Noteholders;
 - (e) Mr Duncan has been a director of Cerbernet Limited since 18 September 2000 which has been placed in creditors' voluntary liquidation and a Liquidator was appointed on 13 August 2002. Pursuant to the Liquidators statement of receipts and payments dated 8 August 2005, the deficiency to creditors was estimated to be £201,768,620;
 - (f) Mr Duncan has been a director of Collie Communications since 3 February 2000 which has been placed in compulsory liquidation and a Liquidator was appointed on 16 November 2001. No statement of affairs has been filed at Companies House by the Liquidator and, accordingly, the estimated deficiency to creditors is not known;
 - (g) Mr Duncan has been a director of Devanha Group PLC since 27 September 1991 which has been placed in compulsory liquidation and a Liquidator was appointed on 30 April 2002. No statement of affairs has been filed at Companies House by the Liquidator and, accordingly, the estimated deficiency to creditors is not known;
 - (h) Mr Duncan has been a director of First Telecom Group PLC since 13 June 2000 which has been placed in creditors' voluntary liquidation and a Liquidator was appointed on 1 August 2002. Pursuant to the Liquidators statement of receipts and payments dated 3 August 2005, the deficiency to creditors was estimated to be £202,317,051;
 - (i) Mr Duncan has been a director of First Telecom plc since 26 July 2000, which has been placed in creditors' voluntary liquidation and a Liquidator was appointed on 10 October 2001. Pursuant to the Liquidators statement of receipts and payments dated 3 October 2005, the deficiency to creditors was estimated to be £37,525,926; and
 - (j) Mr Duncan has been a director of Logicall Telecommunications Ltd since 9 September 1996, which has been placed in creditors' voluntary liquidation and a Liquidator was appointed on 13 August 2002. Pursuant to the Liquidators statement of receipts and payments dated 23 August 2005 the deficiency to creditors was estimated to be £203,578,005.
- (3) Graham John Duncan was a director of The Media and Income Trust PLC, a split capital investment trust, from 23 August 2000 until his resignation on 2 September 2002. Administrative Receivers were appointed for The Media and Income Trust PLC on 10 July 2002. The Media and Income Trust PLC is currently in Administrative Receivership. Pursuant to statement of affairs dated 10 July 2002, the deficiency to creditors was estimated to be £14,436,676. In addition, Graham John Duncan was also a director of Media Zeros PLC, a wholly-owned subsidiary of The Media and Income Trust PLC from 23 August 2000 until his resignation on 2 September 2002. Administrative Receivers were appointed for Media Zeros PLC on 8 July 2003. Media Zeros PLC is currently in Administrative Receivership. Pursuant to statement of affairs dated 8 July 2003 the deficiency to creditors was estimated to be £72,991.

8.9.2 Save as disclosed, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences; or
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements; or

- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director in that company; or
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
- (e) owned, or been a partner in a partnership which owned, any asset which while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, entered into receivership; or
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of a company.

9 SUBSTANTIAL SHAREHOLDERS

Save as disclosed in paragraph 8.1 above, the Company is not aware of any persons who, at the date of this document have and following Admission will have an interest within the meaning of Part VI of the Act directly or indirectly in 3 per cent. or more of the Company's issued share capital or exercise or could exercise control over the Company (disregarding any Ordinary Shares to be subscribed pursuant to the Placing).

Save as disclosed in paragraph 8.1, the Directors are not aware of any person or persons who is, directly or indirectly, jointly or severally, at the date of this document exercising or immediately following Admission exercises, will exercise or could exercise control over the Company.

None of the Directors, members or their immediate families or connected persons nor any persons named in sub-paragraph 8.1 above has voting rights which are different to any other holder of Ordinary Shares.

10 EMPLOYEES

The number of employees employed in the Group as at 30 September 2005 was 19, all of whom were based in the United Kingdom.

11 ACQUISITION AGREEMENT

The Acquisition Agreement is a conditional agreement dated 19 January 2006 between the Vendors (1) and Glen Group (2) relating to the sale and purchase of the entire issued share capital of Eclectic and Eclectic Resourcing. The following is a summary of certain of the terms and conditions of the Acquisition Agreement.

Sale and Purchase

The Company conditionally agrees to acquire the entire issued share capital of Eclectic (the "Eclectic Shares"). Each of the Vendors agrees to sell his portion of the Eclectic Shares with full title guarantee and free from any and all encumbrances. Certain employees ("Option Holders") of Eclectic Group Limited hold options in respect of new Eclectic Shares, which if exercised would entitle them to up to 10.37 per cent. of the fully diluted issued share capital of Eclectic. It is envisaged that each of these Option Holders will prior to Admission exercise his or her right to purchase Eclectic Shares.

On this assumption the initial consideration for the Acquisition is a payment to the Vendors and the Employee Shareholders at Completion of the sum of £1,950,000 in cash and the issue to the Vendors and the Employee Shareholders, credited as fully paid at a price of £0.034166 per share, of 7,683,077 Ordinary

Shares. In addition, deferred consideration of up to £787,500 will be payable following the agreement or determination of the PBITA of Eclectic for the year to 31 July 2006, in accordance with the following:

<i>Eclectic PBITA</i>	<i>Value of deferred consideration</i>
£250,000 to £299,999	£196,875
£300,000 to £349,999	£393,750
£350,000 to £399,999	£590,625
£400,000 and over	£787,500

The deferred consideration will be satisfied by the issue of Ordinary Shares, credited as fully paid at the average offer price of Ordinary Shares in the three trading days immediately preceding the day before the date of the preliminary announcement of the Company's results for 2006, or, if higher, the nominal value thereof and in certain limited circumstances in cash. The maximum number of Ordinary Shares issuable on Second Completion is 78,750,000.

Conditions

Completion of the sale and purchase of the entire issued share capital of Eclectic is conditional inter alia upon:

- (a) the due passing of the Resolutions;
- (b) the admission of the New Ordinary Shares and the re-admission of the issued share capital of Glen Group to trading on AIM becoming effective in accordance with the AIM Rules;
- (c) the Placing Agreement becoming unconditional in all respects in accordance with its terms and conditions and not having been terminated;
- (d) there being no actual or threatened legal prohibition or restriction affecting the Acquisition.

If any of the conditions has not been fulfilled or waived on or before 15 February 2006 (or such later date as may be agreed, not being later than 28 February 2006) the Acquisition Agreement shall terminate, and neither the Vendors nor Glen Group will be obliged to complete the sale and purchase of the entire issued share capital of Eclectic.

Rescission by Company

Prior to completion of the Acquisition, if:

- (a) there shall occur a material breach of any of the vendor warranties under the Acquisition Agreement or a material claim under the associated tax deed;
- (b) there occurs any act or event which upon completion would or might reasonably be expected to result in a material breach or breaches of any of the vendor warranties were they repeated immediately prior to completion or which would result in a material claim under the tax deed;
- (c) there is any material breach or non-fulfilment by any of the Vendors of any of their obligations during the period to completion; or
- (d) any event shall occur (other than an event giving rise to a breach of any of the vendor warranties) which affects or is likely to affect adversely to a material degree the financial position or business prospects of the Eclectic Group as a whole or any member of the Eclectic Group, not being an event affecting or likely to affect generally all companies carrying on similar business in the United Kingdom,

the Company shall be entitled not to complete the sale of the shares, in which case the Acquisition Agreement shall automatically terminate.

A material breach for this purpose is one where the aggregate liability of the Vendors exceeds or, in the reasonable opinion of the Company, is likely to exceed in aggregate £150,000.

Rescission by Vendors

Prior to completion of the Acquisition, if:

- (a) there shall occur a material breach of any of the warranties given by the Company under the Acquisition Agreement;
- (b) there occurs any act or event which upon completion would or might reasonably be expected to result in a material breach or breaches of any of the warranties given by the Company were they repeated immediately prior to completion;
- (c) there is any material breach or non-fulfilment by the Company of any of its obligations during the period to completion; or
- (d) any event shall occur (other than an event giving rise to a breach of any of the warranties given by the Company) which affects or is likely to affect adversely to a material degree the financial position or business prospects of the Group as a whole or any member of the Group, not being an event affecting or likely to affect generally all companies carrying on similar business in the United Kingdom,

the Vendors shall be entitled not to complete the sale of the shares, in which case the Acquisition Agreement shall automatically terminate.

A material breach for this purpose is one where the aggregate liability of the Company exceeds or, in the reasonable opinion of the Vendors, is likely to exceed in aggregate £450,000.

Restrictions Pending Completion

Each of the Vendors and Glen Group has agreed certain restrictions as to how the businesses of Glen Group and the Eclectic Group are to be conducted pending Completion.

Warranties and Tax Covenant

The Vendors jointly and severally warrant that the warranties relating to the business, the assets and liabilities of the Eclectic Group as set out in the Acquisition Agreement are true and accurate in all respects.

Each of the Vendors has given warranties to Glen Group in respect of his ability to enter into the agreement and his title to the shares.

The Acquisition Agreement also contains warranties given by Glen Group for the benefit of the Vendors relating *inter alia* to Glen Group, this document and certain aspects of Glen Group's business.

A tax covenant has also been given by the Vendors to Glen Group in respect of certain tax liabilities.

Non-competition covenants

Each of the Vendors has undertaken, *inter alia*, to procure that neither themselves nor through any other person will directly or indirectly for a period of two years from Completion:

- (a) compete with the business of the Eclectic Group as it is currently carried on;
- (b) solicit or accept the custom of clients or customers of or suppliers to the Eclectic Group in the period of two years prior to Completion;
- (c) solicit certain employees of the Eclectic Group who by reason of their position and, in particular their seniority and expertise or knowledge of Confidential Information or clients, customers or contracts of the Eclectic Group would be likely to cause damage to the Eclectic Group if they were to become employed by a competitor of the Eclectic Group;
- (d) use any trade or domain name of Eclectic.

Vendors' Limitations on Liability

The time limit for the Company to give notice of any claim under the warranties expires on the second anniversary of completion or, in the case of taxation warranties, 31 July 2012. Warranty claims are subject to certain limitations.

The maximum aggregate amount that can be recovered by the Company for any breach of warranty under the Acquisition Agreement and claim under the Tax Deed is a sum equal to the aggregate amount of the consideration paid to the Vendors.

The Warrantors are only liable in respect of warranty claims under the Acquisition Agreement if an individual claim exceeds £2,000 up to an aggregate amount of £10,000, and the aggregate amount of all claims exceed £37,500.

Glen Group's Limitations on Liability

The time limit for the Vendors to give notice of any claim under the warranties expires on the second anniversary of completion. Warranty claims are subject to certain limitations.

The maximum aggregate amount that can be recovered by the Vendors for any breach of warranty under the Acquisition Agreement is a sum equal to the aggregate amount of the consideration paid to the Vendors other than in cash.

The Company is only liable in respect of warranty claims under the Acquisition Agreement if an individual claim exceeds £2,000 up to an aggregate amount of £10,000, and the aggregate amount of all claims exceed £37,500.

12 MATERIAL CONTRACTS

12.1 *The Group*

In addition to the Acquisition Agreement referred to in paragraph 11 above and the contract referred to in paragraph 5.1 above the following contracts, not being entered into in the ordinary course of business and which are, or may be, material, have been entered into by the Company or any of its subsidiary undertakings within the two years immediately preceding the date of this document.

- (a) An agreement dated 14 May 2004 between Glen Communications and Keith David Skilling, Ian George Robertson Hogg and Orleen Heather Skilling, pursuant to which Glen Communications agreed to acquire the entire issued share capital of Soluis IT Limited in consideration for the issue, credited as fully paid at £0.12365, of 351,797 Ordinary shares of £0.01 each in Glen Communications. The agreement contained limited general and taxation representations and warranties and provided for the granting of a tax deed of indemnity in favour of Glen Communications.
- (b) An agreement dated 14 May 2004 between Glen Communications and Soluis IT Limited pursuant to which Glen Communications agreed to acquire the business and assets of Soluis IT Limited in consideration for the payment of a sum representing the value of the net assets of Soluis IT Limited, as set out in the accounts of Soluis IT Limited at the date of completion of the transaction. The agreement contained no representations or warranties.
- (c) An agreement dated 15 November 2004 between the Company and Peter James Ford, Duncan Ventures Limited, Margaret Helen Duncan, Graham John Duncan, Keith David Skilling, Ian George Robertson Hogg, Orleen Heather Skilling, Kenneth Thomas Jan Ford and Elizabeth Ann Ford, pursuant to which the Company agreed to acquire the entire issued share capital of Glen Communications in consideration for the issue, credited as fully paid at a price of £0.03 per share, of 24,999,998 Ordinary shares of £0.01 each in the Company. The agreement contained warranties to the Company in respect of capacity and title only.
- (d) An agreement (the "Nominated Adviser Agreement") dated 25 November 2004, made between the Company, Eric Hagman, Graham Duncan, Peter Ford and Seymour Pierce, under which Seymour Pierce agreed to act as the Company's nominated adviser. The Nominated Adviser Agreement continues until terminated by either party giving the other 3 months notice in writing. Under the Nominated Adviser Agreement the Company has agreed to pay Seymour Pierce for its services an annual fee of £20,000 plus VAT. At the date of this document, neither party has given notice of termination to the other.

- (e) An agreement (the “Broker Agreement”) dated 25 November 2004, made between the Company, Eric Hagman, Graham Duncan, Peter Ford and Seymour Pierce Ellis, under which Seymour Pierce Ellis agreed to act as the Company’s broker until terminated by either party giving the other 3 months notice. For so long as Seymour Pierce Ellis is appointed as broker to the Company, the Company shall not appoint any other financial adviser or broker, except for a nominated adviser. Under the Broker Agreement the Company has agreed to pay Seymour Pierce Ellis for its services an annual fee of £10,000 plus VAT. At the date of this document, neither party has given notice of termination to the other.
- (f) An agreement (the “Previous Placing Agreement”) dated 25 November 2004 made between the Company (1) the Directors (2) Seymour Pierce Ellis (3) and Seymour Pierce (4), under which Seymour Pierce Ellis agreed, conditional upon, *inter alia*, Original Admission having taken place on or before 8.00am on 1 December 2004 (or such later time and/or date as the Company, Seymour Pierce Ellis and Seymour Pierce may have agreed, not being later than 31 December 2004) to use its reasonable endeavours as agent for the Company to procure subscribers for 25,000,000 Shares proposed to be issued by the Company at £0.03 per share. Seymour Pierce Ellis undertook to underwrite subscription for such Shares.

The Previous Placing Agreement contained indemnities and warranties from the Company and the Directors in favour of Seymour Pierce Ellis and Seymour Pierce. The liability of the Directors for breach of warranty is limited.

The Company agreed to pay Seymour Pierce Ellis a fee of £10,000 together with commission of £26,250. The Company has agreed to pay Seymour Pierce a fee of £65,000 for corporate finance services.

- (g) Pursuant to agreements dated 24 November 2004, each of the Directors, Margaret Duncan and Duncan Ventures Limited undertook to the Company, Seymour Pierce Ellis and Seymour Pierce (subject to certain limited exceptions, including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) not to dispose of the Ordinary Shares held by each of them following Original Admission or any other securities (or any interest in them or in respect of them) at any time prior to 1 December 2005 (“Original Lock-in Period”) without the prior written consent of the Company, Seymour Pierce Ellis and Seymour Pierce.

Furthermore, each of the Directors, Margaret Duncan and Duncan Ventures Limited also undertook to the Company, Seymour Pierce Ellis and Seymour Pierce not to dispose of their Ordinary Shares following the expiry of the Original Lock-in Period otherwise than through Seymour Pierce Ellis for a period of twelve months following the Original Lock-in Period, provided that it shall remain broker to the Company and offer competitive pricing and terms.

- (k) An agreement dated 20 January 2006 made between the Company (1) Seymour Pierce Ellis (2) Seymour Pierce (3) and the Directors (4) pursuant to which Seymour Pierce Ellis has agreed, conditional upon, *inter alia*, Admission taking place on or before 8.00 am on 15 February 2006 (or such later time and/or date as the Company, Seymour Pierce Ellis and Seymour Pierce may agree, not being later than 28 February 2006, to use its reasonable endeavours as agent for the Company to procure subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price. Seymour Pierce Ellis has undertaken to underwrite the Placing.

The Placing Agreement contains indemnities and warranties from the Company and the Directors in favour of Seymour Pierce Ellis and Seymour Pierce, together with provisions which enable Seymour Pierce Ellis or Seymour Pierce to terminate the Placing Agreement in certain circumstances before Admission, including circumstances where any of the warranties are found not to be true or accurate in any material respect. The liability of the Directors for breach of warranty is limited.

The Company has agreed to pay Seymour Pierce Ellis a commission equal to 4 per cent of the aggregate value at the Placing Price of the Placing Shares. The Company has agreed to pay Seymour Pierce a fee of £65,000 for corporate finance services.

- (l) Pursuant to agreements dated 19 January 2006, each of the Directors, Margaret Duncan and Duncan Ventures Limited has undertaken to the Company, Seymour Pierce Ellis and Seymour Pierce (subject to certain limited exceptions, including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) not to dispose of the Ordinary Shares held by each of them following Admission or any other securities (or any interest in them or in respect of them) at any time prior to the first anniversary of Admission ("Lock-in Period") without the prior written consent of the Company, Seymour Pierce Ellis and Seymour Pierce.

Furthermore, each of the Directors, Margaret Duncan, Duncan Ventures Limited has also undertaken to the Company, Seymour Pierce Ellis and Seymour Pierce not to dispose of their Ordinary Shares following the expiry of the Lock-in Period otherwise than through Seymour Pierce Ellis for a period of twelve months following the Lock-in Period, provided that it shall remain broker to the Company.

- (m) Pursuant to agreements dated 19 January 2006, each of the Vendors, John Nicoll and Hamish Fraser has undertaken to the Company, Seymour Pierce Ellis and Seymour Pierce (subject to certain limited exceptions, including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) not to dispose of the Ordinary Shares held by each of them following Admission or any other securities (or any interest in them or in respect of them) at any time prior to the first anniversary of Admission ("Lock-in Period") without the prior written consent of the Company, Seymour Pierce Ellis and Seymour Pierce.

Furthermore, each of the Vendors, John Nicoll and Hamish Fraser has also undertaken to the Company, Seymour Pierce Ellis and Seymour Pierce not to dispose of their Ordinary Shares following the expiry of the Lock-in Period otherwise than through Seymour Pierce Ellis for a period of twelve months following the Lock-in Period, provided that it shall remain broker to the Company.

Each of the Vendors, John Nicoll and Hamish Fraser has also undertaken to the Company, Seymour Pierce Ellis and Seymour Pierce (subject to certain limited exceptions, including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) not to dispose of any Second Consideration Shares issued to each of them as deferred consideration (or any interest in them or in respect of them) at any time during the Second Lock-in Period without the prior written consent of the Company, Seymour Pierce Ellis and Seymour Pierce.

Furthermore, each of the Vendors, John Nicoll and Hamish Fraser has also undertaken to the Company, Seymour Pierce Ellis and Seymour Pierce not to dispose of any Second Consideration Shares following the expiry of the Second Lock-in Period otherwise than through Seymour Pierce Ellis for a period of twelve months following the Second Lock-in Period, provided that it shall remain broker to the Company.

Notwithstanding the above, John Nicoll and Hamish Fraser will be permitted to sell Ordinary Shares to fund the exercise price of their Eclectic options and the tax payable by them on such disposal.

- (n) Pursuant to an agreement between the Vendors and the Company dated 26 October 2005 and amended on 20 December 2005, the Company has agreed, to the extent permissible by law, to pay to the Vendors the sum of £25,000 (plus VAT) towards the costs of the Vendors' advisers.

Eclectic

The following contracts, not being entered into in the ordinary course of business and which are, or may be, material, have been entered into by Eclectic or any of its subsidiary undertakings or Eclectic Resourcing within the two years immediately preceding the date of this document.

- (a) An agreement dated 7 July 2004 between Eclectic; the Vendors; and John Paterson pursuant to which Eclectic agreed to acquire the entire issued share capital of Eclectic Group in consideration for the issue, credited as fully paid at par, of 500,000 "A" Ordinary shares of £0.01 each and 330,000

Ordinary shares of £0.01 each in Eclectic; the payment by Eclectic of the sum of £40,000 in cash; and the issue by Eclectic of £150,000 unsecured loan notes. The agreement contained warranties to the Company in respect of capacity and title only.

- (b) An agreement (“Eclectic Shareholders’ Agreement”) dated 7 July 2004 between each of the Vendors and Eclectic by which (and by the articles of association of Eclectic) the Vendors agreed that their relations as shareholders in Eclectic shall be governed and, in particular containing provisions with respect to *inter alia*: the adoption of the current articles of association of Eclectic (“Eclectic Articles”); the number and proceedings of the directors of Eclectic; any conflict with the provisions of the Eclectic Articles; and the conduct of the affairs of Eclectic.
- (c) An agreement (“Eclectic Resourcing Shareholders’ Agreement”) dated 7 July 2004 between each of the Vendors and Eclectic Resourcing by which (and by the articles of association of Eclectic Resourcing) the Vendors agreed that their relations as shareholders in Eclectic Resourcing shall be governed and, in particular containing provisions with respect to *inter alia*: the adoption of the current articles of association of Eclectic Resourcing (“Eclectic Resourcing Articles”); the number and proceedings of the directors of Eclectic Resourcing; any conflict with the provisions of the Eclectic Resourcing Articles; and the conduct of the affairs of Eclectic Resourcing.
- (d) By an instrument dated 7 July 2004, pursuant to a resolution of the board of directors passed on the same date, Eclectic created £150,000 in nominal value of Variable Rate Unsecured Loan Notes 2007 and issued them to John Paterson in part consideration for the sale of his shares in Eclectic Group Limited. The loan notes bear interest at Bank of Scotland base rate plus one percent, payable (under deduction of income tax) half yearly in arrears on the last business day of January and July. Eclectic may redeem any portion of the loan notes on one month’s notice and shall redeem the loan notes in tranches of £25,000 on each of the following dates: 7 February 2005, 31 July 2005, 31 January 2006, 31 July 2006, 31 January 2007 and 31 July 2007.
- (e) An agreement dated 19 January 2006 between each of the Vendors and Eclectic by which the Eclectic Shareholders’ Agreement was terminated with effect from Admission.
- (f) An agreement dated 19 January 2006 between each of the Vendors and Eclectic Resourcing by which the Eclectic Resourcing Shareholders’ Agreement was terminated with effect from Admission.

13 TAXATION

The following comments are intended as a general guide to certain aspects of current tax law and United Kingdom Revenue Practice. This should not be a substitute for individual advice from an appropriate professional adviser. The comments may not apply to certain shareholders, such as dealers in securities. They relate only to persons who are the absolute beneficial owners of ordinary shares, are resident (or, if individuals, resident or ordinarily resident) in the UK for UK tax purposes (except where stated otherwise) and who hold ordinary shares as investments and not as trading stock. Different rules may apply in other cases. **Any shareholder who is in any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay. In particular, all Shareholders, including all UK resident shareholders, are advised to consider the potential impact of any relevant double tax treaty.**

The comments are based on the law and understanding of the practice of the tax authorities in the UK at the date of this document.

13.1 *Taxation of Chargeable Gains*

For the purposes of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. A shareholder resident or ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his ordinary shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate shareholders within the charge to UK corporation tax may be entitled to indexation allowance in respect of these shares up until the date of disposal. Individual shareholders, resident in the UK for tax purposes, who are not within the charge to corporation tax, may be entitled

to taper relief on a disposal of ordinary shares. The quantum of relief available will depend on the length of time the shares are owned and whether the shares are treated as businesses assets of the person disposing of the shares.

13.2 **Taxation of Dividends**

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company. A shareholder (other than a company) receiving a dividend from the Company also receives a tax credit in respect of the dividend of an amount equal to one ninth of the amount of the dividend which is 10 per cent. of the sum of the dividend and the tax credit. Generally, the liability to United Kingdom income tax is calculated on the sum of the dividend and the tax credit ("the dividend income"). Individual shareholders whose income is within the starting rate or basic rate tax bands will be subject to income tax at the rate of 10 per cent. on their dividend income, so that such shareholders will have no further liability to income tax on that dividend income. The higher rate of income tax is 32.5 per cent. in respect of dividend income. A higher rate tax payer may set the tax credit against his liability to income tax on the dividend income and will have further tax to pay of 22.5 per cent. of the dividend income. A shareholder who is not liable to income tax on the dividend income (or any part of it) may not generally claim payment of the tax credit (or part of it) from HMRC.

A United Kingdom resident corporate shareholder is not normally liable to United Kingdom taxation on any dividend received. United Kingdom resident shareholders (including authorised unit trusts and open-ended investment companies) and pension funds are not entitled to payment in cash of the tax credit. Whether shareholders who are resident for tax purposes in countries other than the United Kingdom are entitled to a payment from HMRC of a proportion of the tax credit in respect of dividends on their Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom. In addition, individual shareholders who are resident in countries other than the United Kingdom but who are Commonwealth citizens, nationals of member states of the European Economic Area or fall within certain other categories of person within Section 278 of the Income and Corporation Taxes Act 1988 are entitled to the entire tax credit which they may set against their total United Kingdom income tax liability.

Non-United Kingdom resident shareholders should consult their own tax advisers on the possible application of such provisions and the procedure for claiming any relief or credit in respect of such tax credit in their own jurisdictions. However, in general, no cash payment will be recoverable from HMRC in respect of the tax credit.

13.3 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

No stamp duty or SDRT will be payable on the issue of shares save that special rules apply to persons operating clearance services or depository receipt services. A transfer or sale of shares will generally be subject to *ad valorem* stamp duty at the rate of 0.5 per cent. rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such Shares is not completed by a duly stamped transfer to the transferee by the seventh day of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent. of the amount of value of consideration paid. Liability to SDRT is generally that of the transferee. Where, within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the SDRT. When Shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or SDRT will generally be payable. When Shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee), no stamp duty or SDRT will generally be payable. Where a change in beneficial ownership of shares held in uncertificated form occurs and such change is for consideration in money or money's worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the SDRT Regulations 1986.

13.4 **Inheritance Tax ("IHT") Relief**

Ordinary shares beneficially owned by an individual may be subject to IHT on the death of the individual or, in certain circumstances, if the ordinary shares are the subject of a gift (including a transfer at less than market value) by the individual. Unquoted ordinary shares in companies whose shares are listed on AIM and whose business does not consist wholly or mainly of dealing in securities, stocks or shares, land or buildings, or making or holding investments should qualify as relevant business property for the purposes of Business Property Relief. Any shareholder who has any doubts as to his IHT position should consult a professional adviser, especially before making any gift or transfer of shares.

13.5 **Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT)**

The Company has applied for provisional assurance from HMRC that, on the information supplied to them, the Company's activities make it a "Qualifying Business" for the purposes of the requirements of the EIS and VCT legislation.

14 PREMISES

Details of the principal properties occupied by members of the Enlarged Group are as follows:

<i>Location</i>	<i>Tenure</i>	<i>Rent (£)</i>	<i>Lease Date</i>	<i>Expiry</i>
Units 32/6,32/7 and 32/12, Hardengreen Industrial Estate, Dalkeith, Midlothian EH22 3NX	Licence	£1,500 per month plus VAT	1 June 2004	31 May 2006
Lower Ground Floor, Ailsa Court, 121 West Regent Street, Glasgow G2 2SD	Licence	£28,110 per annum, exclusive of VAT	1 February 2004	30 April 2004 and monthly thereafter subject to 14 days' notice of termination
Ground Floor Rear, Regent House, 113 West Regent Street, Glasgow G2 2RU	Lease	£14,000 per annum, exclusive of VAT	8 October 2004	31 January 2012, with tenant's right to terminate on 1 February 2008 on five months' notice
First Floor Front, Regent House, 113 West Regent Street, Glasgow G2 2RU	Lease	£15,750 per annum, exclusive of VAT	1 February 2002	31 January 2012, with tenant's right to terminate on 1 February 2008 on five months' notice
Suite number 2.3.2 and 2.3.3 at Abbey House, 83 Princes Street, Edinburgh EH2 2ER	Licence	£3,350 per month, exclusive of VAT	October 2005	5 January 2006 and three monthly thereafter
Abbey Business Centres Limited, St Martin's House, 16 St Martin's Le Grand, London EC1A 4EN	Licence	£170 per month, exclusive of VAT plus room hire	26 January 2005	26 April 2005 and monthly thereafter

15 WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry and taking into account the existing available facilities and the proceeds of the Placing, the working capital available to the Group will be sufficient for its present requirements, that is, for at least twelve months from the date of Admission.

16 LITIGATION

16.1 *The Group*

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings in the last twelve months which have had or may have a significant effect on the financial position or profitability of the Group and so far as the Directors are aware, there are no such proceedings pending or threatened by or against any member of the Group.

16.2 *Eclectic*

No member of the Eclectic Group is or has been engaged in any governmental, legal or arbitration proceedings in the last twelve months which have had or may have a significant effect on the financial position or profitability of the Eclectic Group and so far as the Directors are aware, there are no such proceedings pending or threatened by or against any member of the Eclectic Group.

17 GENERAL

17.1 Seymour Pierce has given and not withdrawn its written consent to the issue of this document including references to its name in the form and context in which they appear.

17.2 Seymour Pierce Ellis has given and not withdrawn its written consent to the issue of this document including references to its name in the forms and context in which they appear.

17.3 Grant Thornton have given and not withdrawn their written consent to the inclusion in this document of their reports in Part IV of this document and to the issue of this document and the references to their name in the form and context in which they appear.

17.4 The proceeds of the Placing will be approximately £2,500,000 million which will be applied principally as follows:

£1,950,000 to fund the cash element of the consideration payable on First Completion;

£480,000 to fund the total anticipated commissions, costs and expenses of the Acquisition, Placing and Admission (including VAT); and

£70,000 towards the general working capital of the Enlarged Group.

17.5 Save as disclosed in this document, there has been

17.5.1 no significant change in the financial or trading position of the Group since 30 September 2005, being the date to which the last audited financial statements of the Group were published; and

17.5.2 no significant change in the financial or trading position of Eclectic since 31 July 2005, being the date to which the last audited financial statements of Eclectic were published.

17.6 Save as disclosed in this document, the Group has not made any investments since 30 September 2005 up to the date of this document and save as disclosed in this document there are no investments by the Group or the Eclectic Group in progress or anticipated which are significant.

17.7 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's recent activities or the recent activities of Eclectic.

17.8 The total costs and expenses payable by the Company in connection with or incidental to the Acquisition, Placing and Admission including commissions, registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees and expenses, are estimated to amount to approximately £438,000 (excluding VAT).

- 17.9 The total commissions payable by the Company in connection with and incidental to the Acquisition, Placing and Admission are £100,000 excluding VAT and are payable by the Company.
- 17.10 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 17.10.1 received, directly or indirectly, from the Group within 12 months preceding the Company's application for Admission; or
 - 17.10.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group on or after Admission any of the following:
 - (a) fees totalling £10,000 or more; or
 - (b) securities in the Company with a value of £10,000 or more; or
 - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.11 The Company's accounting reference date is 30 September.
- 17.12 The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act.
- 17.13 The Placing Price is the nominal value of 1 pence per Ordinary Share.
- 17.14 The period within which placing participations may be accepted pursuant to the Placing and arrangements for the payment and holding of subscription monies pending Admission are set out in the Placing Agreement.
- 17.15 The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement. The Placing is being underwritten by Seymour Pierce.
- 17.16 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 28 February 2006, application monies will be returned to the Placees at their risk without interest.
- 17.17 It is expected that definitive share certificates will be despatched by hand or first class post by 22 February 2006. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 15 February 2006.
- 17.18 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of shares under CREST.
- 17.19 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or industrial, commercial or financial contracts or new manufacturing processes which are, or may be, material to the business or profitability of the Company.
- 17.20 Other than the proposed application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made and there is not intended to be made any other arrangements for dealings in the Ordinary shares on any exchange. Trading in the Company's shares on AIM is expected to commence on 15 February 2006.
- 17.21 The Company is not aware of any significant environmental issues that may affect the issuers utilisation of its tangible fixed assets.
- 17.22 The New Ordinary Shares will be admitted to trading on AIM under ISIN Number GB00B04C8N02.

18 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of this document will be available for inspection at the offices of Seymour Pierce Limited, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL, during normal working hours on any week day (Saturdays, Sundays and public holidays excepted) from the date of this document and shall remain available for at least one month after the date of Admission.

Dated 20 January 2006

GLEN GROUP plc

(Registered in England and Wales with registered number 5259846)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Seymour Pierce Limited, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL at 2.30 p.m. on 13 February 2006 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 2 and 3 will be proposed as ordinary resolutions and resolution 1 will be proposed as a special resolution:

SPECIAL BUSINESS

SPECIAL RESOLUTION

1. THAT, conditional upon the Placing Agreement (as that term is defined in the Admission Document) becoming unconditional in all respects (save for the condition requiring the passing of the resolutions set out in this notice of extraordinary general meeting and Admission (as defined in the Admission Document)) and not being terminated:
 - (a) the acquisition by the Company of the entire issued share capital of Eclectic Holdings Limited and Eclectic Resourcing Limited pursuant to the Acquisition Agreement (a copy of the Acquisition Agreement being produced to the meeting and signed by the Chairman for identification), be and the same is hereby approved and the Directors of the Company from time to time be and are hereby authorised to cause the Acquisition Agreement and all matters provided therein or related thereto to be completed and, at their discretion, to amend, waive, vary and/or extend any of the terms of the Acquisition Agreement and/or any document referred to therein and/or connected therewith in whatever way they may consider to be or become necessary and/or desirable and/or to do and/or procure all such acts and/or things as they may consider necessary and/or desirable in connection therewith provided that these are not material in relation to the Acquisition (as that term is defined in the Admission Document, a copy of which being produced to the meeting and signed by the Chairman for identification) as a whole;
 - (b) the authorised share capital of the Company be increased from £800,000 to £6,000,000 by the creation of an additional 520,000,000 ordinary shares of 1p each;
 - (c) in substitution for any existing authority subsisting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), the directors of the Company from time to time be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £5,300,000, provided that such power shall expire on the date of the Annual General Meeting of the Company to be held in 2007 or 15 months after the date of the passing of this resolution (whichever is the earlier) but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company from time to time may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired;
 - (d) the directors of the Company be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company for cash pursuant to the general authority conferred on the Directors pursuant to paragraph (c) of this resolution as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:
 - (i) the allotment of up to 86,433,077 ordinary shares of 1p each in the capital of the Company pursuant to the Acquisition (as that term is defined in the Admission Document);
 - (ii) the allotment of 250,000,000 ordinary shares of 1p each in the capital of the Company pursuant to the Placing (as that term is defined in the Admission Document);

- (iii) the allotment of equity securities for cash in connection with or pursuant to an offer by way of rights to the holders of the ordinary shares and other persons entitled to participate therein in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, as appropriate, the numbers of ordinary shares which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the directors of the Company from time to time may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and
- (iv) the allotment (other than pursuant to (d)(i), (ii) and (iii) above) of equity securities up to an aggregate nominal amount of £1,935,669.23

provided that such power shall expire on the date of the Annual General Meeting of the Company to be held in 2007 or 15 months after the date of the passing of this resolution (whichever is the earlier) but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company from time to time may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

ORDINARY RESOLUTIONS

- 2. THAT the Directors be and are hereby authorised to establish an employees' share option scheme to be known as the Glen Group 2006 Share Option Scheme the principal features of which are set out in paragraph 5.2 of Part VI of the Admission Document.
- 3. THAT for the purposes of Article 102.2 of the Company's articles of association, the amount within which the directors shall restrict the borrowings of the Company be increased to the greater of £5 million and an amount equal to four times the Adjusted Capital and Reserves (as defined in the Company's articles of association)

Registered Office:
8-10 New Fetter Lane
London EC4A 1RS

By Order of the Board
Peterkins Solicitors
Secretary

Dated: 20 January 2006

Notes:

- 1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. The proxy need not be a member of the Company. A white form of proxy is enclosed with this notice for use at the meeting.
- 2. To be valid a form of proxy must be signed by the appointor or his attorney. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
- 3. The white form of proxy, together with the original power of attorney or other authority, if any, under which it is executed, or a notarially certified copy thereof, must be deposited at the offices of Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH not less than 48 hours before the time for holding the meeting or adjourned meeting.
- 4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- 5. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 2.30 p.m. on 11 February 2006 shall be entitled to attend and vote, whether in person or by proxy, at the Extraordinary General Meeting, in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries in the register of members after 2.30 p.m. on 11 February 2006 shall be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting. If the Extraordinary General Meeting is adjourned, entitlements to attend and vote will be determined by reference to the register of members of the company 48 hours before the time of the adjourned meeting.
- 6. Completion and return of the form of proxy will not preclude members from attending or voting in person at the meeting if they so wish.

